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# China Report

ECONOMIC AFFAIRS



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29 August 1984

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NATIONAL POLICY AND ISSUES

BRIEFS

QUALITY PRODUCTS AWARDS CANDIDATES--Beijing, 7 August (XINHUA)--A total of 737 quality products and construction projects have been tentatively chosen for state awards this year. The state quality appraisal committee said at the end of its meeting Monday that 623 of the products come from industry, 91 from the food processing industry and 23 are construction projects. China's largest industrial city of Shanghai ranks first in the country with 99 manufactured goods selected, followed by Liaoning and Jiangsu Provinces. Gold or silver medals will be awarded later when the list is finalized following opinion polls among users. This is the 6th year that the government has issued prizes to quality products. The aim is to improve quality and protect consumer interests. By the end of 1983, national prize winning products came to more than 1,500. [Text] [OW070935 Beijing XINHUA in English 0850 GMT 7 Aug 84]

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PROVINCIAL AFFAIRS

REPORT ON ZHEJIANG'S 1984 ECONOMIC PLAN

OW060531 Hangzhou ZHEJIANG RIBAO in Chinese 6 Jul 84 p 2

[ "Excerpts" of the report on the draft 1984 plan for economic and social development delivered by Cheng Jingye, chairman of the Zhejiang Planning and Economic Commission, at the Second Session of the Sixth Zhejiang Provincial People's Congress held on 26 June 1984 ]

[Text] Fellow deputies:

I have been entrusted by the provincial people's government with making the report on the draft 1984 plan for economic and social development, which I now submit to the congress for your examination and approval.

I. Results in Implementing the Plan for 1983

Following the guidelines laid down by the 12th CPC National Congress and the First Session of the Sixth National People's Congress, tremendous achievements were made in all sectors of economic construction in 1983, thanks to the joint efforts of all the people throughout the province. The rural economy is thriving. Industrial production continues to grow. The pace in developing key construction projects and technical transformation has quickened. New progress in the fields of science, technology and education has been made. Rural and urban markets are full of brisk buying and selling activities. There is continuous improvement in people's livelihood. All this has been specifically manifested in the following aspects:

1. A bumper harvest in agriculture was reaped in a year of serious natural disasters, while the rural economy was thriving. The total annual output value of agriculture was 2.8 percent higher than the previous year. In spite of natural disasters, fairly good harvests of major crops were reaped, thanks to the party's rural policy and the strenuous efforts made by the broad masses against the natural disasters. The total output of grain crops reached 31.67 billion jin and that of cotton reached 1.87 million piculs. New progress was made in carrying out production of an exploratory nature. A total of 1.74 million mu of land were afforested, a 31.7 percent increase over the previous year. The output of fresh and marine products reached 145,000 tons, an increase of 18.6 percent over that in the previous year. The commodity rate of farm and sideline products rose from 54.6 percent in 1982 to 58.2 percent in 1983.

The total output value of village and township industries rose by 28 percent as compared with that in the previous year. It was equivalent to 80 percent of the pure output value of agriculture in the same year and 19.9 percent of the total output value of industrial and agricultural products in the province. It has become an important economic force.

2. Industrial production continued to grow with significant improvements in economic results. The total industrial output value was increased by 16.2 percent over 1982; that of light industry, 15.3 percent; and that of heavy industry, 17.8 percent with excellent coordination in the development of both heavy and light industries. The total output value of collectively-owned industries rose by 20.3 percent--a development faster than that of the entire industry. Of the 54 industrial products listed in the provincial Sixth 5-Year Plan, 14 light industrial products such as cotton thread, cloth, television sets, tape recorders, bicycles, washing machines and plastic products and 22 heavy industrial products such as electricity, cement and walking tractors already reached, 2 years ahead of schedule, the targets set for 1985 in the "Sixth 5-Year Plan." In improving economic results, strenuous efforts were made to "switch to the manufacture of other products," "change models," readjust product mix, strengthen sales and marketing forces and improve services. The output value of state-owned industrial enterprises within budget in the province rose by 12.7 percent, their revenue from product sales rose by 12.1 percent, and their profit rose by 11.8 percent, basically registering simultaneous increases. The number of state-owned enterprises that suffered losses was reduced by 42 percent over that in the previous year, and the amount of losses dropped by 39.6 percent, overfulfilling the task set by the state plan to reduce deficits by 30 percent. The average energy consumption per 100 yuan production value was reduced by 5.1 percent, overfulfilling the 3 percent requirement set by the state plan.

3. The progress of both technical transformation and capital construction was expedited. In 1983, 747 million yuan was spent on renovating the technology of various enterprises, and 467 of those projects directly sponsored by the state or the province were accomplished. Renovation of medium-size and small enterprises with advanced foreign technology also began. In 1983, 57 transactions in this field were concluded, involving \$20.39 million, topping that of 1982 by 147 percent. Of all the deals that were concluded, over one-fifth were related to software.

A total of 1.25 billion yuan was spent on capital construction. Readjustments were made on 99.4 percent of all the local investment projects, and the amount of investment was thus within the control of the state plan. The make-up of investment was also restructured. In 1983, the proportion of investment in energy increased to 24.2 percent of the total amount of investment from 16.7 percent in 1982, and the investment in scientific, educational, and cultural development and public health services increased to 12.6 percent of the total amount of investment from 10.3 percent in 1982. The Taizhou Power Plant, a major state project, was put into operation ahead of schedule; and the operation of another major state project, the synthetic ammonia plant under the Zhenhai General Petrochemical

plant, was also started after a successful dry run. Other major state projects, such as the Changxing Cement Plant, the first-stage construction project of the Eastern Zhejiang Canal, the expansion of the Jiaxing woolen textile plant, the Wenzhou Yangfushan dock, the Fenghua Tingxia dam, the Ningbo Bleaching and Dyeing Plant, and the construction of additional buildings of some institutes of higher education, were also basically completed according to plans. Urban construction and environmental protection were also accelerated. The money spent in 1983 on building public facilities in cities increased to 8.2 percent of the total sum allotted for capital construction from 5.7 percent in 1982.

4. New successes have been achieved in educational, scientific and cultural development and in public health services. In 1983, schools of higher education enrolled 12,750 new students, which was 25 percent more than that enrolled in 1982, and technical secondary schools enrolled 12,969 new students, or 9.4 percent over that enrolled in 1982. The development of higher and secondary education has been accelerating in recent years. With the rapid development of all forms of adult education, approximately 600,000 staff members and workers have enrolled in all types of training classes. In the scientific and technological field, an additional 5 million yuan of special fund was appropriated for major scientific and technical research projects, and a total of 752 accomplishments were achieved in various research projects. Factory-sponsored research has also developed rapidly. At present, various forms of research organizations engaging in research and development of new products have been set up by more than 1,000 industrial enterprises throughout the province. New headway has also been made in the development of public health services. Hospitals in the province have now an additional 2,000 sick-beds. Conspicuous successes have also been achieved in family planning. The rate of Zhejiang's population growth has dropped to 9.52 per 1,000 from 12.34 per 1,000 in 1982. This is a gratifying success achieved at the peak period of fertility in Zhejiang. New successes have been achieved in the cultural, sports, journalistic and publication fields and in radio and television broadcasts. The pace of achieving a coordinated economic, scientific, educational and social development has been gaining momentum.

5. The urban and rural markets are thriving, and the people's livelihood continues to improve. In 1983, the total turnover from province's retail trade reached 12.5 billion yuan, or 11 percent higher than the previous year. With the exception of some high-grade famous brand goods and certain means of agricultural production, the supply and varieties of all other commodities are plentiful, and so the consumers have a wide selection of all types of goods. Country fair trade is fast developing in urban and rural areas. In 1983, business volume of the province's country fair trade, which has become an important channel of commodity circulation, reached 1.16 billion yuan, or 19.8 percent over that of the preceding year. In 1983, \$639 million of foreign exchange, or 16.8 percent over 1982, was earned from foreign trade and export.

In regard to the people's living standard, a sampling of the people's income and expenditures shows that the net per capita income of people living in the rural areas was 358.8 yuan last year, or an increase of 3.8 percent over 1982. Last year, the province provided 119,000 jobs--or 19,000 more than the original target--to people in cities and towns. Because of broader employment, plus the increased pay for workers in various enterprises, the per capita income of workers was 505.3 yuan in 1983, an increase of 5.1 percent over 1982.

The results of the execution of the 1983 plan show that the economic situation has been highly gratifying. This does not mean, however, that there are no problems in production and construction. The province still has an acute shortage of energy and raw and semifinished materials, and its communications and transportation facilities are still highly strained. The equipment of most of our enterprises is outmoded, and the pace of technical renovation has been slow. Our tasks to reduce production cost and improve economic results still face new challenges. The gap between available commodities and market demand has still not been bridged. Because of cost and quality, some of our export commodities still lack the competitive capabilities of foreign exchange, and the prices of nonstaple food in country fairs are rising quite rapidly.

The profile of our entire economic development shows that our problems lie primarily in our disconcerted economic relations, irrational economic regulations in many sectors, slow progress in opening to the outside world, and inadequate efforts to continue to expedite our economic development. All these problems need to be resolved with great efforts.

## II. The Tasks and Principal Targets of the 1984 Plan

The main tasks of Zhejiang's 1984 economic and social development plans are: Continue to implement the principles of readjustment, restructuring, consolidation and improvement; and pay special attention to restructuring the economic system and opening up to the outside world; continue to smooth our economic relations, enliven the economy and achieve still better economic results; and ensure the needs of major construction projects, exert great efforts to achieve technical progress, accelerate the development of intellectual resources, attach great attention to social development and improving the people's livelihood. The general outline of our 1984 plan is: The total value of agricultural output should grow by 5 percent, the total value of industrial output should grow by 6 percent, the national income should grow by 5 percent, the province's revenue should reach 4.15 billion yuan, a total of 1,746 million yuan should be allotted for capital construction and renovation projects, the total turnover of commodity retail trade should grow by 7 percent, and enrollment in schools of higher education should grow by 10 percent. These moderate targets of growth are intended to enable all departments, local authorities and enterprises to have a bigger room for maneuver. Our various tasks and main targets are as follow:

- a. Strive to achieve an overall bumper agricultural harvest and expedite the development of commodity production in the rural areas.

We must continue to adhere to the guidelines stipulated in the party Central Committee's Document No 1 of 1984, and strive to make new headway in commodity production in four respects in the rural areas: First, we must achieve a steady increase in the production of cereal crops and other major economic crops. The issue of foodgrain production must never be treated lightly. We must protect and arouse the peasants' enthusiasm in increasing the output of marketable grain, and maintain and develop the good quality of tea, silk cocoons, citrus fruits and other products. The output of our foodgrain should reach 32.5 to 33 billion jin, or an increase of 2.5 to 4.1 percent; our cotton output should reach 1.6 million dan, or an increase of 3.2 percent; and our output of silk cocoons should reach 1.27 million dan, or an increase of 2.4 percent. Second, special attention should be given to developing production of such rural commodities as meat, fowl, eggs and milk, and to achieving a new breakthrough in animal husbandry and production of other nonstaple food. The total output of meat should reach 760,000 metric tons. Third, we must develop mountainous resources and promote the breeding of aquatic products, and expedite production of a development all nature. The area to be afforested should reach 2.07 million mu, and the total output of aquatic products should reach 750,000 metric tons. Fourth, more township or town-sponsored enterprises should be established. Positive efforts must be exerted to develop production of feed, food and construction materials, to build more small power plants and small mines, and to establish more construction, transportation and commercial services in accordance with the capabilities of various different areas; the existing commune and brigade enterprises should continue to be reorganized and improved. Assistance and guidance should be available to the development of family-run enterprises and various other types of enterprises jointly operated by peasants, and township or town-sponsored enterprise should be helped to achieve a total income of over 10 billion yuan. The distribution of township or town-sponsored enterprises should be appropriately centralized so that rural development can be expedited, and so that country fairs and towns can be gradually developed into regional economic and cultural centers in the rural areas.

b. Persistently regard the raising of economic results as the core and maintain a steady growth in industrial production.

In light and textile industries, we must continue to adhere to the principle of "giving six priorities" and score new achievements in improving quality, reducing production costs and turning out new products. The output of major light industrial products will be as follows: The output of chemical fibers will be 24,600 tons; that of cloth 408 to 433 million meters; that of mulberry silk 9,340 tons; that of silk textile 190 million meters; that of machine-made paper and paper board 250,000 tons; and that of television sets, household refrigerators and tape recorders is expected to increase on a fairly large scale. In heavy industry, we must continue to readjust service orientation and product mix, serve agriculture, light industry and technical transformation better, control production where the consumption of energy and raw materials is high, and work hard to increase the production of coal, and raw and semi-finished materials and generate more electric power. The output of major heavy

industrial products will be as follows: The output of coal will be 1.5 million tons; that of electricity 10.4 billion kwh; that of steel 390,000 tons; that of synthetic ammonia 560,000 tons; that of plastics 29,800 tons; that of cement 5.1 million tons, and that of plate glass 980,000 standard cases. All industrial enterprises must pay full attention to reducing the consumption of materials, raising production quality, increasing the production of goods that are readily marketable, accelerating the circulation of funds, and bringing about a simultaneous growth in production and revenue from sales and marketing and from tax and profits. The consumption energy is expected to drop by 3 percent and the production cost of comparable items is expected to drop by 2 percent. The overall rate of productivity is expected to increase by 3 percent, the rate of growth in profits and tax payments in state-owned industrial enterprises within budget is expected to reach 38 percent of the investments, and losses made by enterprises drop by 35 percent.

In the field of communications, we must rationally organize transportation, bring into full play the role of waterway and highway transport, earnestly facilitate land-and-water coordinated transport and support collective and rural households specialized in transportation business. The volume of local cargo transport is expected to reach 8.7 billion tons and the cost in running enterprises in the field of transport is expected to drop by 1 percent. At the same time, it is necessary to improve service in the field of transportation, strengthen security measures and management in order to reduce the number of traffic accidents and losses during transportation.

c. Concentrate all efforts to ensure the completion of key construction projects.

In 1984, the state has decided to invest 1.126 billion yuan in developing capital construction projects in the province with the central authorities investing 683 million yuan and the local departments investing 443 billion yuan. In order to readjust the ratio and enhance the staying power, we must give priority to developing energy and intellectual resources, to transportation and to the production of raw and semi-finished materials when we allocate our investments. The plan has decided to develop a total of 36 key construction projects with a total investment of 4.58 billion yuan. Of this total investment, a total of 679 million yuan will be invested in 1984, accounting for 60 percent of the total planned investment. These major projects are of great significance in promoting economic and social developments in the province. We must concentrate our financial and material resources and our manpower to complete these projects on time and with high quality and make the most of these projects.

d. Accelerate technical transformation in various enterprises and develop and apply technology.

To transform all existing enterprises and accelerate technical progress is one of the major arrangements we have made. During 1984, the province will invest 620 million yuan in renewing and renovating equipment with

its emphasis on improving the quality and performance of products and the reduction of energy and raw material consumption. Arrangements should be made to transform enterprises to improve the 50 major products in the fields of machine building, electronics, silk cloth manufacture, textile and food industries and packing and to renovate 51 backbone enterprises. Technology should be imported to renovate medium-sized and small enterprises. Strenuous efforts must be made to conclude 104 transactions with foreign businessmen. All enterprises in the fields of communications and construction must accelerate technical transformation and raise their technical standards.

Technological development and application must be accelerated. The research of 12 major scientific and technological projects prescribed in the Sixth 5-Year Plan period must proceed with greater intensity, and efforts must be made to achieve new successes in breeding good seed strains, conserving energy, and developing new materials. This year Zhejiang has been designated to be responsible for 30 development projects--including development of new products, absorption of imported foreign technology, and popularization of new technical know-how--and to develop 1,029 new products. We must step up our efforts in carrying out these assignments and strive to achieve some success at an early date. To speed up technological development and popularize accomplishments in research, we must give full scope to the role of our universities, colleges, and research units; encourage cooperation between enterprises and universities or other institutes; set up a system of purchasing technological know-how; encourage integration of research, education, production, and trade; and establish research-production complexes. Enterprise-sponsored research programs should continue to be improved, and workers should continue to be encouraged to carry out technical renovations and put forward proposals to rationalize operation. Measures should be worked out to make these programs more lively and more effective.

e. Enterprises should be reorganized, or amalgamated, through consolidation.

This year, 1984, is a decisive year for an overall consolidation of our enterprises; and this task must be accomplished with the spirit of reform. An enterprise whose leading body has not yet been consolidated must speed up consolidating it. Those enterprises which have completed consolidating their leading bodies should concentrate on restructuring their labor system and building a sound administrative groundwork, and then make positive efforts to expedite their modernization projects on this basis. In order to be acceptable, the state-operated industrial enterprises' consolidation projects must be at least 80-percent complete, the consolidation projects of the collectively owned enterprises operated by a county or a larger area must be at least 60-percent complete, and those of other non-industrial enterprises must be at least 50-percent complete. Those enterprises whose consolidation projects have been checked and found to be acceptable must, beginning with building stronger groundwork, take positive measures to promote management by objectives, quality control, network technology, and value engineering as well as application of microcomputers. Continued efforts must be exerted to enable our enterprises to operate more profitably,

and measures for cutting deficits and increasing profits must be enforced so that the targets set forth by the state in this regard will be accomplished without fail.

While consolidating our enterprises, we must also do a good job in reorganizing, or amalgamating, them. Not only should we popularize the experiences in organizing coordinated operation among specialized producers, with the objective of producing highly popular, top-grade commodities, we should also sum up and popularize the experiences about promoting cooperation between urban and rural enterprises, work together with enterprises sponsored by townships or towns, and establish more processing plants in the rural areas so as to expedite urban and rural economic development through industrial enterprises operated by the state and various collectively owned or rural units.

f. Broaden all channels of commodity circulation to develop domestic and foreign trade.

It is expected that the total turnover of retail trade in 1984 will reach 13.3 billion yuan, or 7 percent over 1983. To keep up with the new situation of commodity production and trade, producers of agricultural and sideline products may, after fulfilling their unified and fixed state procurement quotas, sell their products in cities, or in other counties or provinces, with the exception of those products for which the state has prescribed special regulations of control. Production of industrial consumer goods must keep up with market demand, the product mix must be further readjusted, the variety of products' colors and designs must be increased, and positive measures must be taken to increase the output of those popular products which are in short supply. The designs of unmarketable products must be improved, and positive efforts must be made to explore their market and increase their sale. The operation of markets and trade centers of agricultural goods in urban areas must be improved so that the exchange between urban and rural areas can be further expanded.

It is expected that our province will earn 5 percent more foreign exchange from its export commodities this year. Enterprises in charge of production and export of commodities must strive to make their commodities even more competitive in earning foreign exchange by streamlining their operation and reducing production costs.

g. Accelerate the development of intellectual resources and the training of personnel.

Developing intellectual resources is a strategic aspect of our four modernizations program, and accelerating the training of qualified personnel is a highly urgent task. This year, the province's budget for educational development is 8.9 percent higher than the preceding year, and this growth is higher than the growth of the budget as a whole. The necessary domestic funds needed by institutes of higher education for their projects partially financed by foreign capital will be budgeted separately by the province's financial departments. This year, the local authorities' investment in

construction projects needed by scientific and educational departments is 13.9 percent higher than 1983. Construction projects of institutes of higher education are major provincial projects, and plans have been made for the construction of 150,000 square meters of classrooms and other school buildings. To expedite educational development, the province must rely on the support of all social quarters, including all enterprises, rural units, and the federation of industry and commerce, as well as the state's financial support, so that the training of the needed personnel can be carried out in all forms at all levels. We must rationally use the available personnel, make the best use of their capabilities, and combat any waste of human resources.

This year, our regular institutes of higher education plan to enroll 14,120 new students, or 10.8 percent more than last year, and our professional secondary schools plan to enroll 14,680 new students, or 13.2 percent more than last year. Efforts will be made to exceed these two targets in the course of enrollment. The province will continue to restructure its higher education, develop its professional and technical education, and actively improve its secondary and primary education. All schools must put greater emphasis on basic scientific and technological education to keep up with the needs of the future of the world as well as the nation's modernization programs. All forms of training programs, including directional, specialized training, training cosponsored by factories and schools, and training by commission, and so forth, will be carried out; measures will be taken to encourage more personnel to work in collectively-owned and rural units. College-level education for adults must be developed. To train more college-level scientific, technical, and administrative personnel, various other forms of training--such as enrolling nonresident students who pay their own expense; sponsoring televised training courses, sparetime college courses for workers, and correspondence courses; sponsoring tests to appraise self-taught students' educational level; and so forth--will be carried out. It is hoped that college-level courses for adults will have an enrollment of 38,900 students, or approximately the same number of students now studying at various regular institutes of higher education.

Training programs for workers, particularly sparetime courses for young and middle-aged workers, must be intensified. It is expected that by the end of this year, an aggregate 60 percent of the workers will have attended classes of general education, and an aggregate 30 percent of workers will have attended various technical training classes. Engineers, technicians, and professional administrative personnel should be organized to receive on-the-job training. Assistance should be given to factory directors and managers so that they will be well prepared for the national test for the first group of factory directors and managers.

The work to wipe out illiteracy must also be intensified.

h. Strictly control population growth and continue to improve the people's living standards.

This year, 600,000 births are expected in the province with the birthrate at 15.3 per 1,000. It is hoped that 70 percent of couples of fertility age will give birth to only one child, and only 5 percent or less will give birth to more than one child. This year, the province will have an additional population of 378,000 people [the number of births minus the number of deaths], and so the natural growth rate will be 0.95 percent. By the end of this year, Zhejiang's population will reach 40.76 million people.

To improve the people's living standards, more living quarters will be built in cities and towns. With the exception of those students graduating from middle schools this year, basically all the young people in an overwhelming majority of cities and counties should have jobs. Effective measures must be taken to ensure the supply of such nonstaple foods as vegetables, meat, fish, fowl, eggs, milk, mushrooms, and fruits, as well as various kinds of services needed in daily life. Positive efforts must be made to tap our potentials so as to increase the supply of construction materials needed in the rural areas. Disease prevention and control must be intensified. Hospitals of all descriptions should have 2,000 additional sickbeds.

In the light of the tasks and major targets set in our 1984 plan, most of the targets set in our province's Sixth 5-Year Plan will be fulfilled ahead of time this year. To maintain the continuity of our development plans, preparations for formulating the Seventh 5-Year Plan are already underway. The major task at present is to work out a strategic course, a focal point, and measures for our province's economic development in connection with the strategic objective to be attained before the end of this century so that our economic development during the Seventh 5-Year Plan period will be both speedy and forceful and will lay good groundwork for achieving the "quadruplication" goal ahead of schedule. According to the guidelines and tasks set forth for our province's economic construction by the Seventh Zhejiang Provincial Party Congress and the first session of the Sixth Zhejiang Provincial People's Congress and taking the current situation into consideration, the basic idea for the Seventh 5-Year Plan is: continue to emancipate our minds, expedite the pace of reform, open our door even wider to the outside world, adopt modern technology, ensure the needs of various major construction projects, and proceeding from our province's situation and relying on both reform and development, give fuller play to the province's economic advantages and strive to achieve still better economic performance. To achieve this objective, a tentative plan has been worked out to transform Ningbo, Wenzhou, and Hangzhou--our three "windows"--into three strategic cities playing the role of leading the economic development of the inland areas and other parts of the province. Under this tentative plan, our province's other key cities will also play the role of leading their surrounding towns and rural areas; northeast Zhejiang will bring along southwest Zhejiang; our agricultural foundation will be further strengthened; production of all kinds of rural commodities will continue to develop; and special attention will be given to development of energy resources, communications, production of raw and semifinished materials, and intellectual resources, to transforming our enterprises with modern management as

well as modern scientific and technological know-how, to exploring new spheres of production, and to upgrading our economic and technological standards.

### III. The Economic Situation in the First 5 Months and the Issue of Reforming the System of Planned Management

Five months of 1984 have already gone by. The situation in the first 5 months shows that our economic development continues to maintain a steady momentum. Following the implementation of the No 1 Document of the party Central Committee, the situation in the rural areas appears to be highly gratifying. The total output of spring cereal crops is expected to exceed 3.9 billion jin, or 10.8 percent higher than that of last year and 9.2 percent higher than that of 1982, the previous peak year. The number of families engaged in various types of specialized production has been increasing rapidly, the pace of economic diversification and development-type production has been gaining speed, and more township or town-sponsored industrial enterprises have been set up during the first 5 months. Total industrial output value of the township or town-sponsored industrial enterprises in the province was 33.5 percent higher than the same period last year. Reform of industrial enterprises has given powerful impetus to production and brought about greater economic results. In the first 5 months of this year, the province's total industrial output value was 20.5 percent higher than the same period last year, of which the total light industrial output value increased 20.8 percent and the total heavy industrial output value increased 20 percent. The industrial output value of state-run industrial enterprises in various localities was 15.7 percent higher than the same period last year while their revenue increased by 12.2 percent and their profits increased by 14.5 percent. The target of achieving a simultaneous growth has thus been basically attained. Construction of major projects is also proceeding satisfactorily. During the first quarter, readjustments were made for all on-site headquarters of all major construction projects that needed to be reinforced or readjusted. Technical renovation of over 500 projects directly sponsored by the province has been intensified. The economic development during the first 5 months has laid a good foundation for overfulfilling the 1984 plan.

Deputies, while we are implementing the 1984 plan, we are paying attention to reform of the planning system in present planned economic work. We must follow the general principle of "the leading role of the planned economy and the supplementary role of market regulation," and persistently keep a firm grip on major aspects while allowing flexibility in minor ones. We must proceed from the realities of this province, boldly explore in the spirit of blazing new trails, and undertake reforms in a down-to-earth way. Before the state issues reform measures for the planning system, our tentative ideas are:

1. We should properly narrow the scope of mandatory planning.

First, we should reduce the varieties of products which are included in the mandatory planning. Second, we should ensure that only a necessary portion of these products is subject to unified purchase and distribution, and that commodity supply contracts are signed to guarantee the supply. An enterprise may sell its above-quota products itself, provided it has fulfilled the state plan and commodity supply contracts, with the exception of the products that the state specifically prohibits the enterprise from selling itself. We should enlarge the scope of guidance planning and let the enterprise arrange its own production and marketing in accordance with the guidance, availability of energy and raw and processed materials, and the market demand. The (?fixed point) [ding dian 1353 7820] of products of the enterprises will no longer be subject to examination and approval by the provincial authorities. Instead, it will be decided by the various levels of the production-supply-marketing channel, and be registered in accordance with relevant regulations governing the administration of industrial and commercial enterprises.

2. We should delegate to lower levels the power to examine and approve some capital construction projects and enliven technical transformation of enterprises. At present, the capital construction projects, including the construction projects built with foreign investment, are examined and approved by the central and the provincial authorities. From now on, we should delegate a portion of the provincial examining and approving powers to cities and counties, and properly simplify the examination and approving powers to cities and properly simplify the examination and approval procedures. An enterprise may decide its own technical transformation projects, provided it uses its own funds in the transformation, has legitimate source of funds, requires no requisition of land, and it can properly obtain necessary energy and raw and processed materials, and the technical transformation projects meet the demands of the technical transformation plan. However, it should report the projects to higher departments in charge for the record. We should also properly extend the powers of provincial departments and bureaus, cities and counties to arrange, examine, and approve technical transformation projects, including the projects to transform existing medium-sized and small enterprises with foreign investment and technology.

3. We should improve material and commodity planning and management. We should extend the material management power; fully realize the initiative of various departments, counties, and enterprises; further promote material cooperation; enlarge the scope of market regulation; run the means of production market well; regulate the material resources in the society; and achieve a balance between supply and demand. We should reduce the varieties of commodities for planned purchase, expand selective purchase, and develop various flexible purchase and marketing methods to further enliven the market.

4. We should gradually perfect the system of city jurisdiction over counties. We should further extend the powers of cities with regard to production plans, capital construction, technical transformation, and use of foreign capital and foreign exchange. We should bring into play the role of cities as economic centers, and organize production and commodity circulation in a rational way according to economic law.

PROVINCIAL AFFAIRS

YUNNAN COMMENTARY CALLS FOR ECONOMIC REFORM

HK081450 Kunming Yunnan Provincial Service in Mandarin 2300 GMT 6 Aug 84

[Station commentary: "Conscientiously Study the Spirit of the Enlarged Meeting of the Provincial CPC Committee and Exert Great Efforts to Carry Out Reforms in Order to Reinvigorate Yunnan"]

[Excerpts] The station has just broadcast a report made by Comrade Pu Chaozhu at an enlarged meeting of the 6th Plenary Session of the 3d Provincial CPC Committee on arrangements for the province's economic work in the second half of this year. This report will play an important role in guiding us to create a new situation in [words indistinct].

The report, which embodies the spirit of emancipating people's minds, has put forth many concrete measures for carrying out reforms, thereby greatly inspiring us. This report also reflects the fact that the provincial CPC committee has adhered to the spirit of simultaneous rectification and correction of defects in party rectification, which represents a great achievement in party rectification. Provided we carry this out, Yunnan's appearance will be changed more swiftly than expected.

Under the current situation, what the vast number of cadres and the masses expect most is that all the tasks put forth in the report will be fulfilled in a down-to-earth manner. Therefore, we must firmly grasp the following.

1. It is necessary, first of all, to unify the thinking of all cadres, in particular the leading cadres at all levels.
2. The provincial departments concerned must further correct their guiding thinking on their professional work and work out a set of measures for simplifying administrative procedures and delegating powers to the lower levels.
3. As new things, experiences and problems may emerge from time to time in the process of reform. It is necessary to pay attention to summing up experiences and learning lessons.

CSO: 4006/698

PROVINCIAL AFFAIRS

DEFENSE INDUSTRY TURNS OUT CONSUMER PRODUCTS

HK081152 Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 7 Aug 84

[Text] Since the 3d Plenary Session of the 11th CPC Central Committee, the scientific, technological and industrial departments for national defense of our province have seriously implemented the principle of integrating the military and civilian forces, brought into play the strong points of the technical facilities of the military industry, actively developed the production of products for civilian use, and made contributions to invigorating the national economy of Guizhou.

In 1979, the total output value of products for civilian use achieved by the scientific, technological and industrial departments for national defense stood only at 42.38 million yuan. But in 1983, total output value quadrupled that figure, and was the highest record in history. In the first half of this year the output value of products for civilian use fulfilled 53.5 percent of the annual plan, an increase of 42 percent over the same period last year. Of the products produced for civilian use, 15 items have attained superior product awards granted by relevant departments of the state, ministry, or province, and 20 items have won awards of scientific and technological achievements issued by the provincial authorities. More than 30 products have opened up market abroad. The scientific, technological and industrial departments of our province have also organized numerous types of economic associations and technological cooperation so as to help local enterprises carry out technological transformation and technical service. A great quantity of spare parts and components have been provided for use in key state construction projects.

The scientific, technological and industrial departments of our province are actively developing technology-intensive sophisticated products. They have succeeded in producing a rotary percussion excitation device, digital seismometers, static sprayers, and other equipment. Of these products, some have filled gaps in the internal market, and some have caught up with advanced levels abroad.

CSO: 4006/698

PROVINCIAL AFFAIRS

SECOND STEP IN SUBSTITUTING TAX FOR PROFIT DELIVERY

HK080834 Kunming Yunnan Provincial Service in Mandarin 2300 GMT 7 Aug 84

[Excerpts] Not long ago, the provincial Finance Office held a provincial conference on financial and taxation work in order to study and make preparations for the second step in substituting taxes for profit delivery. The second step to be taken in substituting taxes for profit delivery is an important decision made by the central authorities on the macroeconomy. The conference suggested that in order to make a success of the second step to be taken in substituting taxes for profit delivery, it is necessary to combine, on the basis of the actual circumstances, the actual conditions of Yunnan and the policies adopted by the central authorities.

The conference suggested the emphases of investigations should be laid on finding out the circumstances in the border areas, the areas inhabited by minority nationalities, and the areas in the mainland which are particularly poverty-stricken and the state of the large, medium, and small enterprises, the urban and rural collective enterprises, and the catering and other services in order to correctly give play to the role of taxation in regulating the economy.

In addition, the conference also studied the application of the system of contracted financial responsibilities in the prefectures, autonomous prefectures, cities, and counties and the preparations for the application of the system of paid labor, the funds system, and the system of contracted responsibilities in the administration of financial expenditure.

CSO: 4006/698

## PROVINCIAL AFFAIRS

### YUNNAN DECENTRALIZES COOPERATION NETWORK

HK080836 Kunming Yunnan Provincial Service in Mandarin 2300 GMT 7 Aug 84

[Text] In the more than 4 years since the 3d Plenary Session of the 11th CPC Central Committee, in accordance with the principle of opening to the world and revitalizing the domestic economy adopted by the central authorities, our province has successively signed contracts with 22 brother provinces, autonomous regions, and cities on more than 760 cooperative undertakings and fixed the number of cooperative projects to be undertaken by the units within the province at about 200, thus initially forming a multi-level, multi-channel, and multi-dimensional economic and technological cooperation network and giving tremendous impetus to the economic and cultural development of the province.

Our province, with its weak and vulnerable economic base, is awaiting development. In order to speed up the economic and cultural development of the province, the provincial CPC Committee and the provincial People's Government consider economic and technological cooperation to be a strategic measure for ending Yunnan's backwardness and opening the province to the whole country.

In May 1982, the provincial People's Government invited 18 brother provinces, autonomous regions, and cities and 11 ministries, commissions, and bureaus under the State Council to a conference on economic and technological cooperation in Yunnan, thus tremendously pushing forward Yunnan's work in the area of economic and technological cooperation.

In April this year, three provinces, namely, Yunnan, Sichuan, and Guizhou, one autonomous region, namely, Guangxi, and one city, namely, Chongqing, held a 5-party conference which has paved a new and important path for making the relations between our province and its neighboring brother provinces, autonomous regions, and cities closer and for speeding up economic development.

Since 1980, the scope of the cooperation between the units in our province and between our province and other parts of the country has steadily expanded. Cooperation in the area of the supply of goods and materials has grown into an overall economic and technological cooperation. Cooperation has spread from the state-run enterprises to the town and township collective enterprises. The cooperation between our province and other parts of the country, previously carried out between individual special departments at provincial or city level, is now being carried out between

a considerable number of special departments at prefectural, autonomous prefectural, and county levels. Cooperation within the province, previously carried out between a few prefectures and cities, has also developed. Now, Kunming supports the whole province; and the prefectures, autonomous prefectures, and cities comprehensively support each other, cooperate with one another, and establish ties among themselves.

In the past 4 years or more, as a result of cooperation, we have achieved outstanding economic and social results. Principally, they are: We have enabled some enterprises to make up their deficits and increase their surpluses and some to introduce new products, increase the variety of their products, and improve their quality, speeded up the exploitation of the province's natural resources, encouraged the exchange of gifted people, promoted the exploitation of intellectual resources, given impetus to the development of the border areas and the areas inhabited by minority nationalities, regulated the shortage and surplus of goods and materials, remedied the defects of the plans, facilitated production, and enlivened the markets. The mutual-support and cooperation between the special departments in the province has given impetus to the popularization of the fruits of scientific research and cooperation.

CSO: 4006/698

PROVINCIAL AFFAIRS

GANSU TO RESCIND QUOTAS ON CONTROL OF PURCHASING POWER

HK040254 Lanzhou Gansu Provincial Service in Mandarin 1100 GMT 3 Aug 84

[Text] Beginning 1 September this year, the provincial Financial Department has decided to rescind the quotas for control of the purchasing power of social groups. The purchase of specially controlled commodities no longer needs to be examined and approved by relevant higher authorities. This decision of the provincial Financial Department is a part of the reform in the management methods of the purchasing power of social groups. The Financial Department requires that after this reform, all organs, organizations, enterprises, and institutions must conscientiously implement the principle of being hardworking and thrifty and make their purchases according to their actual needs. They can buy more commodities that are helpful to raising their work efficiency and developing production, but must restrict the purchase of personal consumer goods or unnecessary commodities. In the purchase of high quality goods, it is necessary to strictly follow the relevant stipulations of the provincial authorities on allocation and distribution of the specially controlled goods. Financial departments at all levels must strengthen their management over funds. They must check and ratify the purchase funds for various units each time when budgeting for the coming fiscal year. At the same time, it is necessary to establish a supervisory system and make strict examinations. Those who violate financial discipline or indulge in extravagance and waste should be held responsible for their mistakes and punished according to the seriousness of their cases.

CSO: 4006/698

## PROVINCIAL AFFAIRS

### MEETING ON SECOND STAGE OF TAXES FOR PROFITS

HK031004 Zhengzhou Henan Provincial Service in Mandarin 1230 GMT 2 Aug 84

[Text] The provincial work meeting on the second stage in substituting taxes for the delivery of profits ended in Zhengzhou yesterday. The leading comrades of the Provincial CPC Committee and Government, including Liu Zhengwei, He Zhukang, Yue Xiaoxia, Hu Tingji, and Yan Jimin, attended the meeting. Provincial CPC Committee Secretary Liu Zhengwei and Governor He Zhukang spoke at the meeting.

In the course of the meeting, the participants conscientiously discussed the suggestions on implementing the second step in substituting taxes for the delivery of profit in our province and made arrangements for the current work of substituting taxes for the delivery of profits.

In his speech, Provincial CPC Committee Secretary Liu Zhengwei said: The current situation in the structural reform of the urban and rural economy is excellent. The focal point of the reform has shifted from the rural areas to the cities. An enterprise is a cell of the national economy and an important component of the urban economy. It is a unit which directly creates wealth for society. If we fail to enliven our enterprises, it will be impossible to develop production, to increase social wealth, to accumulate construction funds, to improve the livelihood of the people, and to achieve the four modernizations. We must exert the greatest efforts to enliven the enterprises.

Liu Zhengwei emphatically pointed out: With respect to the enterprises which have incurred losses as a result of mismanagement, we should, in strict accordance with the spirit of the instructions of the central leading comrade, refuse to give them any preferential treatment. Nor should we grant them any subsidies. There are two ways out for these enterprises: The first is to fight it out at all costs and to be determined to reduce deficits and increase profits in order to earn the right to survive and to develop and the second is to declare bankruptcy. We should undoubtedly strive for the first way out.

In his speech, Governor He Zhukang said: In implementing the second step of substituting taxes for the delivery of profits, we should first change the situation characterized by the enterprises eating from the big pot

of the state and the employees from the big pot of the enterprises so that the enterprises can be full of vitality and incentive as well as feel the pressure brought to bear on them and so that the initiative of all workers and staff members can be brought into play, thus greatly raising the productive forces and yielding better economic results.

In his speech, He Zhukang stressed: The second step of substituting taxes for the delivery of profits involves various aspects and should be implemented in strict accordance with the policy. Time is pressing and the task heavy. Governments at all levels should regard this work as a major issue for this year. It is necessary to strengthen leadership conscientiously and implement, as soon as possible, the relevant regulations on the second step in substituting taxes for the delivery of profits at the grassroots level. The various departments should proceed from the overall situation, set store by the interests of the state, take concerted action, and jointly carry out the work well.

CSO: 4006/698

PROVINCIAL AFFAIRS

SICHUAN CONFERENCE DISCUSSES INDUSTRIAL TASKS

HK050557 Chengdu Sichuan Provincial Service in Mandarin 0030 GMT 5 Aug 84

[Excerpts] A provincial conference on industry and communications was held in Chengdu from 28 July to 2 August. The conference arranged production for the second half of the year, studied views on implementing the State Council's provisional regulations on expanding decisionmaking powers of state-owned enterprises, and discussed the strengthening of ideological and political work while carrying out reform.

Vice Governor He Haoju pointed out in a speech at the conclusion of the meeting: We must continue to implement the principle of relaxing the policies and enlivening the economy, do everything possible to overcome difficulties, and do a good job in industry and communications production in the first half of the year. We must strive to practice economy and reduce input consumption, improve product quality, add new varieties, and fulfill and overfulfill this year's production tasks.

The conference held: Sichuan's industry and communications production developed rapidly with good economic results in the first half of the year. One of the best situations for many years has emerged. In the second half of the year we must get a vigorous grasp of product quality and variety, enliven sales, strive to cut production costs, and resolutely fulfill the task of reducing deficits and increasing surpluses. We must speed up the pace of reform, and put enterprise decisionmaking powers on a sounder basis. We must do a thoroughly good job of organizing production in light and heavy industry, and fully tap potentials in transport. We must continue to get a good grasp of consolidation, and promote the readjustment and building of the leadership groups, to enable the province's industry and communications production to rise still higher.

CSO: 4006/698

## PROVINCIAL AFFAIRS

### SECOND STAGE TAX REFORM CONFERENCE CONCLUDES

HK080402 Nanning Guangxi Regional Service in Mandarin 1130 GMT 6 Aug 84

[Text] The work conference held by the regional government on the second stage of reform in substituting tax payments for profit delivery concluded today in Nanning. The conference communicated the spirit of the national work conference on the second stage of reform in substituting tax payments for profit delivery and arranged the tasks for the second stage of reform in Guangxi.

Leading comrades of all the prefectures, cities, and counties responsible for financial and economic work, leading comrades of the financial and taxation departments, and responsible comrades of the prefectoral and city economic commissions and departments concerned directly under the prefectoral authorities, totalling over 800 people, attended the conference.

Leading members of the regional people's government Wang Zhuguang, Wang Rongzhen, (Mu Ming), and others attended and presided over the conference.

The conference held: Since the latter half of 1983, Guangxi has achieved remarkable successes in the first stage of reform in substituting tax payments for profit delivery. This reform is an important step taken for solving the relations between the state and enterprises. Starting in the fourth quarter of 1984, the all-round reform of substituting tax payments for delivery of profits will be carried out in state enterprises. This is a significant breakthrough in the reform of China's economic system. It can smash the two big pots and also create conditions for a series of reforms of the urban economic system. By instituting the second stage of reform in substituting tax payments for profit delivery we can go all out to implement the various forms of economic responsibility systems, carry out the provisional regulations of the State Council on further extending the decisionmaking power of the state industrial enterprises, enliven the enterprises which serve as the cells of the national economy, and lay conditions for the enterprises to operate independently and to assume sole responsibility for their profits and losses, thus enabling enterprises to compete under equal conditions.

The second stage of reform in substituting tax payments for profit delivery can, by acting as a taxation lever, mitigate the contradictions caused by

irrational prices, which is advantageous to the curbing of administrative interference in enterprises and to the alleviation of contradictions between different regions and departments. It coincides with the various reforms carried out in Guangxi at present, such as emancipating the minds, relaxing the policies, and enlivening the economy.

In accordance with the spirit of the national forum on the second stage of reform in substituting tax payments for profit delivery and the actual circumstances of Guangxi, the conference made the following suggestions:

1. It is necessary to strengthen leadership. The region has already set up a leading group and an office for the substitution of tax payments for profit delivery. All prefectures, cities, and counties should also establish leading organs and carry out the work of substituting tax payments for profit delivery as quickly as possible.
2. It is necessary to step up the training of cadres. We must, through various forms of training, enable the vast numbers of financial and taxation cadres and enterprise leading cadres and workers to understand the policies concerning the second stage of reform in substituting tax payments for profit delivery and the principles and methods of taxation so that the work in this respect can be smoothly developed.
3. It is necessary to do well the investigation and calculation work. According to the spirit of this conference, all localities should earnestly work out plans for implementing the second stage of reform in substituting tax payments for profit delivery and should submit them to the departments concerned before the end of September.

The conference emphasized: The task of carrying out the second stage of reform in substituting tax payments for profit delivery is arduous and time is short. Therefore, all localities, departments, and enterprises should have enthusiasm and a sense of urgency and should conduct thorough and painstaking work so as to ensure the smooth progress of the reform.

CSO: 4006/698

PROVINCIAL AFFAIRS

GUANGDONG ECONOMIC SITUATION 'FLOURISHING'

HK060434 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 5 Aug 84

[Text] Guangdong's economy was flourishing in the first half of this year. Harvests of spring crops were brought in, there was a steady growth in industrial production, there were plenty of commodities for the market, market prices remained stable, revenues increased, and the living standards of the people continued to rise.

In industry, the gross output value of industrial production accumulated by the province's 14 cities and prefectures came to 16.74 billion yuan, overfulfilling targets set for the 1984 plan, an increase of 12.7 percent over the corresponding period last year. The gross output of spring crops reached 960 million jin, an increase of 13.9 percent over 1983. The total output of major industrial crops such as oil-bearing crops increased substantially. In the first half of this year, the province's rural and urban markets were brisk. Commodity varieties increased, quality improved, market prices remained basically stable, and the total volume of retail sales rose by 12.2 percent of the corresponding period last year. The province's market prices are expected to remain stable.

The index of retail sales in the second quarter of this year rose by 0.6 percent over 1983. With the development of production, the province's revenues increased by 14.1 percent over the corresponding period last year. The living standards of the people have continued to improve, and the total wages of provincial workers and staff members have risen by 7.7 percent. At the end of June, bank savings of the urban and rural population increased by 35 percent and 29.5 percent respectively.

CSO: 4006/698

PROVINCIAL AFFAIRS

GUANGDONG FINANCIAL, TRADE WORK CONFERENCE ENDS

HK080734 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 3 Aug 84

[Text] The provincial conference on financial and trade work concluded today. At the conference, Governor Liang Lingguang emphatically said: It is necessary to unswervingly do a good job in the second step of reform of the substitution of taxes for the delivery of profits. Liang Lingguang said: With a view to unswervingly doing a good job in the second step of reform of the substitution of taxes for the delivery of profits, we must first unify our understanding. He said that in accordance with the decision of the State Council, beginning this 1 October we must completely carry out the second step of reform of the substitution of taxes for the delivery of profits, which is not only the reform of the financial and tax system, but is also a prerequisite of speeding up the reform of the urban economic system. It is a basic reform and is of profound significance. Its aim is to resolve the distributive relationship between the state and the enterprises, to strengthen the responsibilities, rights, and interests of the enterprises, to further straighten our economic problems, and to enliven the economy.

Liang lingguang said: To do well in the second step of reform of the substitution of taxes for the delivery of profits, we must correctly implement the principle of freedom yet control, lenient yet strict. He said that the slogan of untying the rope cannot be used wantonly. We must untie what should be free and must tighten what should be controlled. We must integrate leniency with strictness. Liang Lingguang added: In this second step of reform of the substitution of taxes for the delivery of profits, we shall readjust the tax rate of some products and shall impose taxes on some products. Therefore, we must emphasize that whether we increase or reduce taxes is an interchange of taxes and profits in the enterprises and will not affect the change in the commodity prices. No enterprises and units are allowed to use this as a pretext to change commodity prices by themselves.

In his speech, Governor Liang Lingguang also put forward nine specific views on the policies on the second step of substituting taxes for the delivery of profits.

This afternoon, at the provincial conference on financial and trade work, Vice Governor Yang Deyuan pointed out: Since our province has implemented the commodity circulation system in which the state-run commercial enterprises are regarded as the main body, many economic forms are adopted, many circulation channels are used, and many ways of operation are applied, the prosperity and briskness of the market has been speeded up. This year there are five characteristics of sales in the provincial markets:

1. The number of high-grade and durable consumer goods sold has quickly increased. The number of television sets, electric fans, and refrigerators sold is more than in previous years.
2. The amount of retail in the catering trade has increased relatively greatly and is higher than the amount of retail commodities.
3. The amount of retail of the industrial departments, individual peddlers, and other trades is higher than in the commercial enterprises under the system of ownership by the whole people. The social commercial structure has been further readjusted.
4. Trade in the urban and rural markets has been greatly enlivened and the volume of business has amounted to 2,450 million. Urban and rural economic exchanges and the development of the rural markets have been promoted.
5. Commodity prices have been continuously kept stable or have dropped. According to statistics compiled after the investigation of 23 fairs and markets, the prices in the fairs and markets in the first half year were 6 percent less than in the same period last year.

CSO: 4006/698

PROVINCIAL AFFAIRS

GUIZHOU'S TOWN, TOWNSHIP ENTERPRISES DEVELOP

HK070839 Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 6 Aug 84

[Text] According to GUIZHOU RIBAO, since the transmission of Document No 1, issued by the central authorities this year, to lower levels, the province's town and township enterprises have developed tremendously. According to the rough statistics for the first 6 months of the year, they have created a gross output value of 317.81 million yuan, fulfilling 53 percent of the yearly plan assigned by the Provincial Planning Committee. Of this, 237.34 million yuan, one third more than that created in the same period of last year, is the output value created by the town and township industrial enterprises. In addition, the growth rate doubles the average growth rate in the 6 years since 1978. The production of 8 of the 11 major products listed in the yearly plans has progressed at a greater speed than that prescribed by the yearly plan. As much as 514,500 tons of coke has been produced. The yearly plan for the production of coke has been overfulfilled by 12 percent and half a year ahead of schedule. As much as 55,700 tons of pyrite has been excavated and 99.5 percent of the yearly plan has been fulfilled. As much as 4.45 million tons of raw coal and 1,789 tons of sulphur have been produced and more than 61 percent of the yearly plans fulfilled. Compared with that in the last year, the output of 80 percent of the products has shown an increase. The output of cement, pyrite, and bamboo and wooden farm tools and the amount of edible oil processed have increased by more than 100 percent compared with outputs last year. In the first half of the year, the development of the town and township enterprises amounted to a breakthrough and they displayed several distinctive characteristics through production:

1. Production developed each month at an increasingly quick pace. The situation was heartening. The output value created by the town and township enterprises in June exceeded the sum total of the output value created in the first quarter of the year.
2. Of nine prefectures, autonomous prefectures, and cities, eight had their output value increased. The output value created by Anshun and Bijie prefectures was at least 50 percent more than that created in the same period in last year.

3. All those enterprises run by the communes, the brigades, or the production teams and those jointly run by the households developed. Those run by the production teams and those jointly run by the households developed at the quickest pace, that is, at a growth rate of 70 percent. This shows that the province's town and township enterprises are capable of even greater development.

CSO: 4006/698

## PROVINCIAL AFFAIRS

### ECONOMIC DEVELOPMENT IN HEILONGJIANG

Harbin HEILONGJIANG RIBAO in Chinese 23 Mar 84 p 1

[Article: "Chen Lei [7115 7191] Presents Report on Government Work"]

[Excerpts] The Second Plenum of Heilongjiang Province's Sixth People's Congress solemnly opened on 22 March at the Harbin Provincial Exhibition Theater.

Governor Chen Lei made the "Report on Work of the People's Government of Heilongjiang." The report was divided into three parts: 1) the circumstances for work in 1983; 2) work tasks for 1984; and 3) improving and strengthening government work. He said that 1983 was a year in which Heilongjiang's national economy continued to develop and was also the best year for the situation of the national economy since the Third Plenum of the 11th CPC Central Committee. The province's gross industrial and agricultural output exceeded 40 billion yuan; this is a historical breakthrough. The plan for each directive for the development of the national economy was either completed or overfulfilled and new advances were made in other undertakings. Agricultural production overcame all types of natural disasters and reaped overall bountiful harvests. The total output of grain amounted to 30.98 billion jin, a 34 percent increase compared to the year before. Gross agricultural output value amounted to 11.41 billion yuan, a 19.2 percent increase compared to the year before. Industrial production continued to increase. The province's gross industrial output value amounted to 28.85 billion yuan, a 7.5 percent increase compared to the year before, and exceeded the objective struggle of "ensure a 4 percent increase and strive for a 5 percent increase." We strictly controlled the scale of capital construction and accelerated key construction. This year 98.3 percent of the annual plan for investment for the 64 key construction projects planned by the state was completed, a 64.4 percent increase compared to the year before. Heilongjiang's rural markets are more lively than ever and prices are basically stable. There have been great developments in foreign trade and scientific and technical interchange. The province has exported \$273 million in commodities, a 56 percent increase compared to the year before, and has imported \$45 million worth of commodities, a 91 percent increase compared to the year before. Last year was the province's best year financially in the recent past: income and expenditures were offset, there was a cash surplus of 36 million yuan, we realized balanced finances, we had a slight surplus and there were also new developments and improvements in scientific and technical culture and education. On the basis of continued development in production, there were further improvements in the standard of living of the people.

Chen Lei said that in reviewing the past year, he found that we mainly completed the following work. We earnestly implemented the party's rural policies and comprehensively promoted a joint production contract responsibility system. We vigorously reversed losses and increased profits and improved economic results. We comprehensively carried out party consolidation and raised the quality of enterprises. We proceeded from reality and enthusiastically carried out a restructuring of the economic system. We completed an organizational restructuring of leading bodies at all levels and realized a group of revolutionary, young, knowledgeable and specialized cadres. We strengthened the socialist democracy and perfected the socialist legal system. At the same time as stressing the construction of material civilization, we strengthened the construction of spiritual civilization.

Chen Lei said that 1984 is the second year raised by the 12th CPC Congress for comprehensively initiating the new situation of socialist construction and is a key year for realizing the Sixth 5-Year Plan. The key tasks for economic development this year are: on the premise of striving to improve economic results, we must ensure that the national economy has a certain rate of increase, realize a basic balance of finances and credit and fundamentally stable prices and strive to achieve synchronous increases in production, profit and revenue. On the basis of developing production, we must enable the people's standard of living to continue to improve. He said that in this new year we must mobilize and organize the broad masses of the province's people and cadres to be closely concerned with the subjects of liberating thought, broadening policy, strengthening leadership, stimulating the economy and improving results. We must pay attention to the key of restructuring, promptly study and solve new situations and problems that will appear ahead of us and cause all work to experience unprecedented progress. We must specifically pay attention to the following work: we must continue to stabilize and perfect the household joint production system of responsibility and initiate a new situation in the development of production of rural commodities. We must resolutely consider the improvement of economic results to be the key and strive to develop a new situation in industrial production. We must strictly control the scale of capital construction and initiate a new situation for ensuring the construction of key projects. We must break new paths in commodity circulation and develop new situations in stimulating urban and rural markets and foreign trade. We must earnestly implement policies for the development of science and technology and initiate a new situation for the development of the collective economy. We must correspondingly develop culture, education and health and initiate a new situation in the construction of spiritual civilization.

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CSO: 4006/426

## PROVINCIAL AFFAIRS

### ECONOMIC WORK CONFERENCE DISCUSSES REFORM GOALS

Kunming YUNNAN RIBAO in Chinese 17 Mar 84 p 1

[Article: "The Provincial Economic Work Conference Raised Demands for Eight Reforms; Resolutely Reform and Stimulate the Economy and Develop Production"]

[Text] The provincial economic work conference held by the provincial people's government pointed out that we must resolutely reform policies, further stimulate the economy and develop production.

After discussion, reforms were demanded in the following eight respects:

--We must study the experience of Capital Steel and carry out the responsibility method of progressively increasing that part of profits that is turned over to the state. This year we again plan to select a group of enterprises to carry out experiments and under the premise of guaranteeing that the state receives the larger portion, ensure that the enterprises are able to receive enough after increasing production and collection to depend upon their own accumulation and accelerate technological transformations.

--Industrial and commercial joint businesses must coordinate production and sales. The textile industry in carrying out an industrial and commercial joint business experiment, in light of the policies of equal profit sharing, jointly sharing risks and mutual benefits, formed an integrated body with coordinated production, supply and marketing, carried out unified planning, unified sales prices and stimulated production and circulation.

--We must continue to experiment with a contract responsibility system. Any small state-run industrial and commercial enterprises carrying out an eight-grade progressive tax, under the circumstances of the nature of income tax not changing, can continue to experiment. Other production, management, administration and distribution methods will be treated completely according to collective enterprises. The food and service industries which have already carried out the contract responsibility system must continually summarize their experiences and gradually perfect their system.

--We must do a good and thorough job in the reform of the supply and marketing cooperative system. Cadres will be voluntarily elected or selected by the people. Newly added workers will be recruited from the countryside and will not change residences. Peasants will become shareholders, the amount of money will be unlimited and the profit received will not be lower than bank interest.

The scope of business and service, excluding that which is clearly stipulated by the state, is not restricted. In determining the scope of variety, prices are allowed to float to a certain extent. The wages and bonuses of workers will be linked up with business results; the good will receive more and the inferior less. Supply and marketing enterprises above the county level must develop many different kinds of joint agricultural, industrial and commercial businesses with production units, specialized households and integrated bodies and must stimulate circulation.

--We must continue to expand the experiment of a contract system of responsibility for construction work. We must appropriately assign small accounting units jointly contracted by one or many teams and we must contract the period of construction, quality, consumption and expenses. We must implement the contract system of responsibility in production teams and individuals. Reforming the methods for using administrative measures for the distribution of construction tasks, under the guidance of unified national planning, allows construction units to make use of the methods of entering and negotiating bids to select outstanding construction units. Rural construction teams can also go to the city to enter bids.

--We must reform the method of wage distribution within enterprises. Construction enterprises carrying out a contract responsibility system must change their method from determining the total amount of wages according to the number of people to determining responsibility according to output and content. We must use a certain amount of work as a basis; the more one works the more one receives and the less one works the less one receives. For a large amount of work we will not make cuts and for little work we will not guarantee basic wages. Industrial and mining enterprises must study the methods of the Yimen Copper Mine in implementing floating wages. Heavy manual labor industries will still use piece rate wages.

--We must reform the system for using labor. Newly established enterprises and old enterprises with newly added workers, excluding the small number of specially recruited fixed work in production, must enthusiastically experiment with the contract labor system.

--State-run farms and forestry centers must use initiative in experimenting with family farms and forestry centers.

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## ECONOMIC DEVELOPMENT ZONES

### LI RUIHUAN ON URBAN REFORM, OPEN POLICY

SK070525 Tianjin TIANJIN RIBAO in Chinese 4 Jul 84 pp 1, 3

[ "Excerpts" of Li Ruihuan's speech: "Urban Reform and Opening to the Outside World" delivered at the second enlarged standing committee session of the municipal CPC committee]

[Text] Comrades:

The second enlarged standing committee session of the municipal CPC committee is at the point of conclusion. During the session, Comrade Weida delivered a speech and Comrade Zaiwang made a report on comparison and examination work of the standing committee of the municipal CPC committee. Today I talk principally about the issues of urban reform and opening to the outside world.

#### First, the Issue on Accelerating Urban Reform.

Since the 3d plenary session of the 11th Party Central Committee, and especially since last year, our municipality has conducted urban reform in many selected fields. On the premise of persistently letting state economy play a dominant role, the municipality enthusiastically developed urban collective and individual economies. As of the end of 1983, over 200,000 people were working at newly developed collective and individual economies. About 50 percent of the large collective enterprises have changed from the state assuming sole responsibility for their profits and losses. State enterprises successively carried out economic responsibility systems of various forms. Large and medium-sized enterprises have carried out the first-step reform in substituting taxes for profit delivery. The building industry has generally carried out the contract system. In light of different conditions, enterprises have respectively carried out various forms of wages reforms, such as floating wages, piece-rate wages, paying wages in terms of deducting a percentage of the enterprise profits, paying wages on a contract basis in terms of every 100 yuan's worth of finished work, and wages of linking profits to bonuses. Other trades and professions also carried out reforms on a trial basis. Certain achievements have been made and some experiences were accumulated in these pilot reform work. However, viewing the general situation, our urban reform is only starting.

Since the beginning of this year, our country has made rapid development in reforming the economic management system. A new situation has emerged. Its characteristics were: 1. Through reform, a situation was created in which rural areas surround cities. The focus of reform is shifting from rural areas to cities. 2. Breakthroughs were made in urban reform. Relevant departments were urged to conduct the single-item reform work at the same pace. 3. Fourteen coastal cities have further carried out the open policy and made urgent efforts to make the management system suit the policy. This situation is consciously inspiring the people and making people vigorous. We must clearly understand the situation to speed up the pace of urban reform. Generally speaking, our current economic management system still is a pattern that we copied from the Soviet Union in the early days of the PRC. The system fetters the development of productive forces in many fields. Through reform, a part of the people in rural areas have become rich first. Remarkable improvements have been made in peasants' livelihood. This situation in which the rural reform plays an exemplary role greatly inspires the urban areas, has a strong appeal to urban areas and is convincing. Viewing the situation in which rural areas become prosperous and rich through reform, more and more urban people support the reform. After summing up the country's experience in the economic system reform in the past few years, the CPC Central Committee recently made an important decision policy on speeding up urban reform. In his government work report, Premier Zhao Ziyang clearly pointed out that the future economic work should center on system reform and opening to the outside world. He also set forth a series of measures for reforms. The second session of the sixth NPC made relevant resolutions. We must unswervingly implement them.

Our current situation is the best since the founding of the country. The whole country is stable and united, policies are well implemented, and the people are united and coordinated. With veteran proletarian revolutionaries at the helm and young and experienced comrades commanding on the first front, leading bodies at all levels of the CPC Central Committee were strengthened through readjustment. A group of young and middle-aged cadres, who are "more revolutionary, better educated, younger in age and more professionally competent" and have a will to conduct revolution, were promoted to leading posts at all levels. Achievements have been realized in making cooperation between the new and the old. We may say that it is essential and urgent to speed up urban reform. We also have many favorable conditions for conducting reform. Party and government leaders at all levels across the municipality must emancipate their minds, make efforts and enthusiastically promote the reform.

We preliminarily map out 10 principal measures for our urban reform.

1. Simplify administration and delegate powers to the lower levels.

Simplifying administration means to reduce administrative affairs and overcome the phenomena of an overconcentration of power, no separation of government administration from commune management, and replacement of enterprise business by government functions. On this basis, we should carry

out necessary readjustment in economic management organs, and reduce the number of departments, levels and intermediate links. Delegating power to the lower levels means that cities should delegate power to districts, counties and bureaus. All levels of organs should delegate power to the next lower level. We should simplify procedures and ease restrictions in utilizing foreign funds to carry out technical transformation and to import projects. The methods of signing financial contracts, fixing the quotas of revenues and expenditures, and sharing above-quota profits should be tried out in four suburban areas and five counties. We should expand the powers of six districts in the city, and of Tanggu, Hangu and Dagang districts in urban management and organizing the people's livelihood. State enterprises that have passed the consolidation acceptance test should comprehensively carry out the 10 regulations on expanding the powers of enterprises stipulated by the State Council.

2. Enterprises should not eat from the "big common pot" of the state.

Starting with the fourth quarter of this year, all state enterprises in the whole city should carry out the second step of tax reform in accordance with the state plans so that all enterprises will gradually switch to the substitution of tax payments for profit delivery, instead of having the two methods in use simultaneously. Some 300 small state industrial enterprises with fixed assets less than 5 million yuan, and annual profits less than 500,000 yuan should be turned into "state enterprises that practice the system of collective operation, democratic management and sole responsibility for profits and losses" within this year. State commercial retail enterprises with annual profits less than 150,000 yuan may contract out and rent out their business to the collective or individuals, or turn themselves into collectively owned enterprises. Money-losing and low-profit enterprises should carry out all forms of the contract system.

3. Staff members and workers should not eat from the "big common pot" of enterprises.

All enterprises should resolutely fix the number of personnel and production quotas of workshops, administrative and technical offices, workshifts and work groups in accordance with the central decision on consolidating enterprises, and should establish all forms of the economic responsibility system. In July enterprises that have passed the consolidation acceptance tests should try out the method of "imposing no limitations" while giving bonuses to staff members and workers and the state will collect a tax on bonuses from enterprises whose bonus awards exceed a certain limit. After approval, where conditions permit, enterprises may adopt the various forms of remuneration, such as bonuses based on work points, piece-rate wages, floating wages, wages appropriate to posts and subsidies appropriate to particular jobs. In the building industry, we should continue to promote and perfect the contract system of fixing the amount of wages for every 100 yuan's worth of finished work, the all-round contract system in investment, and the public bidding contract system. Other trades and enterprises, where conditions permit, may select pilot units for carrying out the contract system of fixing the amount of per-unit production costs and wages for finished work.

4. Collective enterprises should be responsible for sole profits and losses without exception.

All collective industrial and commercial enterprises in the city that are managed in accordance with the methods of state enterprises--the so-called "big collectives"--should institute the system of bearing sole responsibility for their own profits and losses and stop practicing the system of having the state take care of the profits and losses before the end of this September. Decision-making powers should be delegated to collective enterprises in carrying out economic activities.

5. Break with the "iron rice bowl" system in labor employment.

Starting this year, while recruiting workers, all state enterprises should implement the labor contract system. Some special trades such as the building and mining trades, may use rotational workers, including peasant workers. Collective enterprises may employ staff members, workers, and technical personnel by themselves, adopt their own wages system and determine ways for implementing the labor protection regulations. We should create conditions and promote a rational flow of specialized technical personnel between cities and rural areas, and among enterprises that practice different ownership systems, large and small plants, and units with different technical forces.

6. Establish an open, multi-channel circulation system with fewer intermediate links.

Domestic and foreign trade, industrial, agricultural, and supply departments should vigorously prepare for and establish various forms of trade centers and break through the old wholesale system characterized by three levels. All state, collective, and private economic units and all localities and departments can participate in the business at the trade centers, which will undertake businesses of their own or for others on a commission basis and will do both wholesale and retail businesses. All wholesale enterprises should turn into economic entities of independent operation which have the freedom to select the channels for purchases and the units to which they will supply goods. When plants are selling goods to wholesale enterprises and wholesale enterprises are selling goods to retail enterprises, there may be preferential prices for unmarketable goods and a price difference according to quantity of goods, season, and localities. Except for commodities subject to state unified purchase, retail units may buy directly from plants and plants may supply raw materials to one another directly. The Nanshi Food Mall which is being built should turn into an experimental area for the overall reform of retail commerce. The system of supply and marketing cooperatives should be reformed this year in peasants' shares, distribution system, price control, business scope, and service. Peasants are allowed and encouraged to engage in commercial, catering, and service trades in Tianjin's downtown areas and in neighboring towns and cities jointly or individually. In foreign trade, a breakthrough should be made in combining carpet production and business and experiments should be carried out in the reform to combine foreign trade with the increased

production of enterprises and the introduction of new technology as well as to separate government functions from business management. We should allow markets to regulate the supply of some means of production and the opening of free material markets.

7. Actively give play to the regulatory role of economic levers.

Financial, monetary, and price departments should conscientiously reform the outdated methods incompatible with economic development, use taxes, credit, price, and other economic levers to guide, regulate, and promote enterprise production and management, and vigorously provide favorable conditions for all trades and professions to conduct reform. Industrial and commercial banks should actively introduce working fund turnover loans and floating interest rate and study and try out differential interest rate and preferential interest rate. Specific methods for price difference should be carried out according to trades and products. The prices of minor commodities should be more flexible. The prices of special and native flavored foods, above-quota means of production to be sold by producers themselves and some seasonable vegetables may be fixed through negotiation.

8. Reform scientific and technological and educational systems and suit them to the needs of economic construction.

The 30-odd scientific research units which have been consolidated and approved should learn from and popularize the experience of the Zhuzhou Electronic Research Institute, sign contracts with user organizations that list remunerations, introduce the contract system for internal research jobs, and gradually finance their activities with their own funds instead of depending on the state treasury. Schools of higher learning should learn from the experience of Shanghai's Communications University to reform school management system and fully tap their potential in teaching and scientific research. Schools of various types at various levels should be developed and society should be encouraged to raise funds to run schools. Inter-trade and inter-department combinations should be established to undertake education, scientific research and production.

9. Open to other provinces and municipalities comprehensively.

Various measures should be adopted to actively expand and strengthen the economic and technical cooperation with other provinces and municipalities. In principle, products of all localities, departments, and units are allowed to enter Tianjin markets.

10. Actively and steadily experiment with the reform of the leadership system of enterprises and establishments.

A group of industrial enterprises which have been consolidated and approved and whose leading bodies are effective and production is normal should be selected to try out the system under which plant directors (managers) should assume full responsibility. The posts of plant director and CPC Committee secretary may be assumed by two persons separately or one person

concurrently. In the experiments of reform, we should pay particular attention to summing up experiences in the system of having plant director assume full responsibility, in giving play to the role of enterprise CPC committees and workers congresses, and in properly handling the relationship among plant directors, plant CPC committees, and workers congresses. Some schools and research units should experiment with the system of having principals (directors) assume full responsibility.

The general guidelines for the above 10 measures are: Simplify administration and transfer power to lower levels; award the diligent and punish the lazy; raise efficiency, promote production; link rights with duty and profits; emphasize motive power and energy to enterprises; take into consideration the benefits of the state, the collectives, and individuals; and try every possible means to liberate the productive forces. In accordance with the guidelines and in line with actual conditions, all departments and units should conscientiously implement these measures.

While enthusiastically conducting reform, we must also notice that our current reform is not a comprehensive one, just as Comrade Ziyang said that we are "not qualified to conduct comprehensive reform" in a short period of time. Our current stress on speeding up reform only means "to preliminarily install measures that suit the current situation in reform and to implement these measures at the same pace." In accordance with the guidelines, we should pay attention to the following tasks for guiding reform work:

1. The basic goal of reform is to liberate and develop the productive forces. Each step in reform should directly promote increases in the productive forces and economic results. When appraising a plan, a policy or, a measure, we must first of all see whether or not they conform to this goal.

We should boldly explore, apply, and promote the good methods and experience that may bring benefits to the liberation of productive forces and improvement in economic results. We should bravely eliminate and abolish the old systems and regulations that tie the development of productive forces and prevent the improvement of economic results. At the same time, we should attend to the integration of the microeconomy and the macroeconomy and of current and long-term economic results and do a good job in handling relations among the state, enterprises, and staff and workers. The benefits of enterprises and individuals must be based on creating more wealth in the society so as to give the state the greater part of the profits, the enterprises a smaller part, and the individuals an even smaller part, and the individuals an even smaller portion. We are never allowed to damage the benefits of the state and the masses, invent all sorts of problems, or bring difficulties to other units. In the entire course of reform, we must take the completion of state plans, the ensurance of revenue, and protection of consumers' benefits as important principles and abide by them. Conscientious and effective measures must be taken to strengthen examination and supervision.

2. We should persist in the principle of using the experience of advanced units to promote work in all the others in an orderly, step by step way and avoid doing things in a rushed manner. We should draw upon experience in rural reform. We should correctly understand the situation, carry out the reform from selected areas to the whole, and compound small victories into big ones, converging streams into a river. We should notice that a city is an organic entity with a concentrated population where social economic activities are complicated and all trades and professions are closely related to each other. All units and departments must have the idea of viewing the situation as a whole in conducting reform, attend to building ties with other fields and working out ways to use the experience gained in selected areas to promote other work, try to work out reform measures, and make efforts to conduct reforms in all fields at the same pace. As for a particular trade or field, it is possible to conduct reform in a fairly rapid manner. But as for conducting overall reform, we must proceed in an orderly and step by step way, and avoid doing things in a simple and rushed manner.

3. We must persist in the principle of seeking truth from facts and proceed from reality. Proceeding from reality means: 1) Persistently exploring ways for reform in the course of practices. We stress to the extreme the great significance of theory in guiding the practices of reform. But the contents of reform are complicated. New things are emerging one after another. Theoretically speaking, we cannot clearly explain certain problems. As long as we accurately understand that reform can liberate the productive forces, we should boldly practice it. Through practice, we may open up avenues for reform and testing whether or not reform is correct. Only through large-scale and systematic practices can we vigorously develop or enrich the theory of scientific socialism. Second, we should pay attention to the study of the specific characteristics of our own localities, departments, and units. We should, on the one hand, learn from and use the good experiences created by various localities and units in reform and, on the other hand, refrain from mechanically copying them. We should permit multiforms of reform, such as large- or small-scale one, quick or slow one, and never make certain methods absolute, nor demand uniformity, still less regard the methods different from a certain model as being opposed to reform. Third, reform should start with actual situation. We should conscientiously analyze and study the actual conditions and carefully keep the things which are historically correct while vigorously eliminating the defects which have proved incorrect through history. Total affirmation of traditions means to do away from reform and simple negation of traditions does not conform to Marxism.

4. Reform should be carried out in a planned and step-by-step manner. The municipal government has approved and transmitted some opinions on the reform in certain fields since the beginning of this year. All relevant departments and units should implement them earnestly. Detailed plans for reform have already been worked out in some fields. They should be submitted to higher authorities as early as possible and the municipal CPC Committee and government should study, approve, and transmit them.

In the fields where specific measures for reform have not been worked out efforts should be stepped up to study and organize forces for experiment. Overall reform of such important fields as the price and wage systems should be conducted according to the unified plans of the central authorities. However, this should not hinder our efforts for broadening our thinking, conducting vigorous research, and exploring some experiences for overall reform.

#### Second, the Issue of Further Opening to the Outside World.

Opening to the outside world is itself an important reform. It means that our economy has broken through the closed and semiclosed form and entered the international market, participating in the international division of labor and competition. Opening to the outside world will not only set higher demands on foreign economic relations and trade but also exert profound influence on the whole city. We should do a good job in opening to the outside world with the spirit of reform and coordinate with and support it with the reform carried out in various fields so that reform and the work of opening to the outside world can promote each other.

In today's world, a country should, with exception, establish close ties with international economy and take the open-door road if it is to develop its economy. The CPC Central Committee and the State Council decided to further the open-door policy in coastal cities. As an important policy decision for our country's economic development, it has an important bearing on our achieving the grand objective of quadrupling our annual industrial and agricultural output value. Our socialist modernization faces two major difficulties. One is a lack of funds, the other is technological backwardness. To solve these difficulties, we should first of all rely on our own efforts--the accumulation of domestic funds and research and development of science and technology. In the meantime, we should open to the outside world, use foreign funds, and import technology. This not only is an important way for us to overcome fairly rapidly the economic, technological, and managerial backwardness and fulfill the fighting goal set forth at the 12th National Party Congress but also will continue to be an important measure for our steady economic growth after we fulfill the goal.

Opening to the outside world has more urgent and important immediate significance to Tianjin. Although Tianjin has made great progress in economic construction over the past three decades and more, it still lags far behind the demands of the four modernizations. The quality of our old enterprises is low, the number of modern key enterprises is few, the fixed assets of the industrial enterprises throughout the municipality value is merely some 7 billion yuan, and none of our industrial projects which were designated are major projects for the "Sixth 5-Year" Plan period. How to lay a solid foundation for fulfilling the quadrupling goal is indeed a heavy task of us. The central authorities' decision to further open coastal cities indicates an orientation for us, removes the restrictions, and provides us with favorable conditions for utilizing two resources, opening two markets, mastering two skills, and accelerating Tianjin's economic development.

We have favorable opportunities for utilizing foreign funds to import technologies. At present, though the economy of capitalist countries have begun to revive, they have still remained in a slow development stage. At the same time, their domestic labor forces are expensive. Their practice of reducing working hours have affected their profits and revenues, thus making them anxious to find a way out. With the rise of newly-developed industries, traditional industries are sagging every day and are operating below capacity, thus giving rise to the trend of transferring equipment and technologies to other countries. Under such circumstances, it is possible for us to import needy advanced technologies for China's traditional industries. Perhaps, we may even import some newly-developed technologies to arm and transform our traditional industries. We have clearly witnessed such a trend during our visit to Western Europe. We should make use of this excellent opportunity to implement central policies conscientiously, exercise well the powers delegated to us by the central authorities, make redoubled efforts, take advantage of this trend to forge ahead, and create a new situation in utilizing foreign funds and importing technologies.

As for how to further open Tianjin to the outside world, all of you will have fairly identical views after this meeting. The municipal CPC Committee holds that there are several problems which need to be further clarified.

1. We should make it clear that we have not fully opened the city to the outside world. Actually, we have not done enough in this regard. We should further implement the open-door policy on a broader scale instead of retreating from it. We should acknowledge that since the third plenary session, and with the gradual implementation of the party's policy on opening to the outside world, the broad masses of cadres and the people have emancipated their mind every day and the idea of absorbing the strong points of the various countries to make China prosperous has won support among the people. However, for historical reasons, over the past 100-odd years our people suffered unceasing aggressions from imperialist countries. Together with the "leftist" shackles of the past 30 years and more and the deep idea of blindly opposing and fearing everything foreign, many cadres and the masses still have misgivings in further implementing the open-door policy. We should repeatedly and deeply study and understand guidelines of the central directives, conduct lively propaganda and education among cadres and the masses in the light of the specific achievements gained in the practice of implementing such policy, and compile and print some materials to introduce the open situations in various world countries so as to broaden the views of the people and to unify the thinking of the broad masses of cadres to the central open-door policy.
2. We should make it clear that our purpose of opening to the outside world is to import advanced technologies so as to transform our country's national economy. One of the reasons for Tianjin's undesirable economic results and its failure in giving full play to port cities is that it has poor technologies, including outdated equipment and backward techniques, and ineffective operation and management. Our products lack competitiveness in international markets. Some brand-name products have gradually lost

domestic markets. Therefore, we should cast our eyes on importing advanced technologies while implementing the open-door policy. Through importing softwares, talented persons and key equipment, and in line with our conditions, we should pay attention to importing newly-developed technologies, and strive to turn the present industry into one with modern economic technologies as soon as possible and to give full play to our existing potential. Meanwhile, we should also actively utilize foreign funds to establish some large modern enterprises that can stimulate all of whole industry in a timely manner.

3. We should carry out foreign economic and technological cooperation of all descriptions. At present, we should place our emphasis on jointly-financed and jointly-operated enterprises. Judging from our practical experience of past years, jointly-financed operations have many good points. Because such enterprises have enjoyed common interests and shared hardships and risks jointly, they have more favorable conditions for importing advanced technologies because we may learn many scientific managerial methods through joint operation and management and may use the marketing and information networks and the trademarks of the other parties. Therefore, enterprises that can rapidly change their backward situation through importing advanced technologies should do their best to create conditions and to start joint ventures with foreign businessmen. Only authorized departments can utilize foreign funds, import technologies, and run joint ventures. Industrial projects should be imported by industrial departments. We should appropriately delegate some powers and transfer some medium-sized and small projects to the lower levels. The city should not greatly interfere with the business of enterprises so long as they are up to the prescribed standards and are practicing the system of assuming sole responsibility for profits and losses.

4. We should distribute the imported items to many places in line with overall planning. Tianjin is a big industrial and commercial city with a fairly good industrial foundation. At the same time, through many years of efforts, a general pattern has been set up. In opening to the outside world, we must proceed from reality and give consideration to our foundation. Our tentative plan is to build an economic and technological development zone near the port and implement some special policies and flexible measures in this zone so as to attract more foreign traders to initiate joint venture enterprises owned by the Chinese Government and foreign investors and enterprises run by foreign capital. The large and medium-sized key items which use relatively more investments and whose technology is relatively advanced should be assigned to the pertinent professional units in line with overall planning, on condition that such items are unsuitable for old municipal zones and the development zone. These professional units may enjoy the same preferential treatments as those for the development zone. In the course of readjusting and reorganizing industrial enterprises, the large number of the original enterprises in the old municipal zones should make full use of their existing plant buildings and basic facilities to develop joint-venture enterprises. As long as such enterprises import advanced technologies, they will also be allowed to give preferential treatment to foreign investors in line with the stipulations

of central authorities. This is the focus of our present open-door policy. Because more and more foreigners come to Tianjin, we also plan to build a number of living facilities with the international level and provide convenient living conditions as far as possible so as to enable foreigners to work in Tianjin contentedly.

5. We should combine the import of technologies with the domestic cooperations. As an important coastal city of the north China, Tianjin should further open it to other places and serve the north and northwest China in all fields. At the same time, Tianjin should cooperate with various central units, Beijing Municipality and other fraternal provinces and regions and acquire their support in the fields of manpower, material resources and financial capacity. We should warmly welcome and provide conveniences for those localities and units which make an investment in Tianjin and run joint-venture enterprises. We should also provide conveniences for conducting economic and technological exchanges with foreign countries.

6. In the course of conducting economic and technological exchanges with foreign countries, we should strive to enhance the quality of work and work efficiency. Utilizing foreign capital, importing technologies and opening to the outside world are a kind of science. In this connection, we should not only see the necessity and importance of the work, emancipate our mind and work boldly, but also keep clearly in mind its complex and arduous nature, and guard against listless and superficial style of work and against undue simplification of problems. We should profoundly understand that efficiency is an important condition for investment. We must really manifest the idea of "time is money, and efficiency is life" in our practical work, and achieve success in some fields of work with high level and high efficiency.

Further opening to the outside world is a common task of the entire municipality. CPC committees at all levels and all departments should be concerned with and give support to the work of opening to the outside world, and attend to their own work. At present, we must pay attention to the following tasks:

1. We should intensify the propagation directed to the domestic and outside world. The drawing up of the "Guidebook for Investment in Tianjin" should be stepped up. All departments concerned should utilize every opportunity, method and channel to propagate our country's open-door policy and our municipality's conditions for investments and preferential treatments to foreign investors. At the same time, all departments concerned should give play to the role of CPPCC organizations, overseas Chinese federations, the Taiwan compatriot federations and various democratic parties, and should strengthen contacts with foreign countries so as to attract even more foreign investors to our municipality, especially overseas Chinese, foreign citizens of Chinese origin, and our countrymen residing in Xianggang and Aomen. We should accelerate the drawing up of the pertinent regulations for the domestic units to make an investment in

Tianjin, give wide publicity to these regulations and welcome various localities to organize cooperations in Tianjin.

2. We should strengthen the selection of talented persons competent at the job of opening to the outside world. At present, priority should be given to the selection and installation of leading bodies and pertinent cadres at the development zone. The municipal CPC committee plans to release some comrades, who have strong party spirit, have a good understanding of policies, are young and vigorous, are professionally more competent, and have innovative spirit, to engage in the work of opening to the outside world. All units should give vigorous support and the green light for this work. All departments and relevant bureaus, companies and enterprises should employ some persons who have a good grasp of technologies and are skillful at holding trade talks to strengthen the foreign economic relations and trade.

3. We should vigorously work out medium- and long-term plans and annual plans for foreign fund utilization and technology import. The orientation and key projects of import should be set forth in line with the municipality's "Sixth 5-Year" and "Seventh 5-Year" Plans and its technical transformation plans for major trades and should serve as a basis for macro guidance. This work should be done with the municipal planning commission taking the lead and other relevant commissions and offices working in close coordination. All trades and professions should formulate plans corresponding to their specific conditions. We should improve technical transformation and technology imports and resolutely overcome the "slack, slow, chaotic and bad" situation. We should make the best of the amount of foreign exchange that the central authorities allow us to use every year. The municipal government's technical transformation leading group should have an overall plan for this work, examine and supervise it and organize forces to carry it out. All professional work departments should divide the responsibilities and implement them.

4. We should accelerate construction of basic facilities. The early-stage construction of development zone, including "seven supplies and one equality" and standard workshops, should be explored, designed and started at an early date. Construction projects for the port, expressways, local railways, navigation on Hai He and postal and telecommunications service should also be completed one by one according to plan. With regard to the facilities in service of foreigners, such as guesthouses, places for recreation and residential areas for foreigners, we should absorb foreign funds, combine the efforts of inland areas and build them in a planned manner. Our capital construction tasks for the next few years are heavy. We should work out overall plans and meticulous designs, make proper arrangements for construction forces, adopt the public bidding system and accelerate construction.

5. We should organize people to study and formulate local rules and regulations. In line with the experiences of the special economic zones, administrative departments of all trades and professions should work out

rules and regulations for such work as registration of enterprises, labor and wage management, land management, foreign exchange management and departure and entrance administration in development zone. Such rules and regulations should be approved by the municipal government for trial implementation and, after being improved gradually, should be submitted to the municipal people's congress standing committee for examination and approval. In this way, we will have something to abide by when cooperating with foreign businessmen.

### Third, the Issue of Industrial and Agricultural Production in the Second Half of This Year.

System reform and opening to the outside world are two major tasks for our economic work for some time to come. A success in these tasks will greatly promote current production. In our practical work, however, we should pay attention to properly handling the relationship between reform, opening to the outside world and current production. We should note that only with success in reform and opening to the outside world can the economy and production be enlivened. We should also note that, in current production, there are still many specific contradictions and problems in addition to the obstacles resulting from the existing systems and that they should be studied and solved meticulously so that the fulfillment of the production and revenue plans can be guaranteed.

Our industrial and agricultural production was fairly good in the first half of this year. Thanks to the efforts to implement CPC Central Committee Documents No 1 and No 9, peasants' enthusiasm was high, the summer harvest was better than last year and commodity production and township enterprises developed with a great impetus. Thanks to an early start, our industrial production has grown fairly greatly. From January to May, we realized 10.174 billion yuan of industrial output value, showing an 11.2-percent increase over the corresponding period of last year. In the same period, the output value of the industrial enterprises covered by the budget increased by 9.25 percent and their profits by 9.42 percent. The municipality's revenue totaled 1.584 billion yuan in the January-May period, an 8.47 percent increase over the same period of last year. If we exclude the losses resulting from the reduction of the prices of stockpiled textile products last year, the increase would be 12.47 percent. This means that the growth of profit of the industrial enterprises covered by the budget was greater than their growth of production and that our revenue increase was greater than the profit increase. Such a situation was rare in many years. Following the progress of party rectification, the implementation of reform and various policies aiming at opening to the outside world, the operation of a group of technical transformation projects and the production of a number of new products with new specifications and patterns, new and favorable conditions for the industrial production will be created in the second half of this year.

However, we should note that we still will encounter much difficulties in industrial production in the second half of this year. First, we will have 11 objective factors which will make us reduce revenue, such as

increasing retention and depreciation funds, and controlling deficits of foreign trade. This will make us reduce profits by 255 million yuan. Second, there will be a fairly short supply of raw materials and energy, and actually some of them have already affected production. Third, there will be prominent problems in the relations between industry and trade. During the period from January to May, the scheduled procurement value of exports was only 35.8 percent of the annual plan, a 25.5-percent decrease from the corresponding period last year. If we fail to improve this, industrial production and economic results will be greatly affected.

In order to maintain the development trend of the first half of the year, and to fulfill this year's state plan in an all-round manner, we should attend to the following work in the second half of the year.

1. Strive to increase the production of products in short supply and reduce the production of products in excessive supplies. The economic commissions and the various industrial bureaus should concentrate their efforts on solving problems existing in the production of products in short supply and strive to increase the output of such products rapidly. As for products in excessive supply that have poor prospects and markets, resolute efforts should be made to switch part of them to other trades or to discontinue their production so as to spare raw materials, energy, funds, and manpower for developing products in short supplies. We should formulate relevant policies, encourage more production of products in short supply, limit the production of products in excessive supply, and give decision-making power to enterprises in reducing excessive-supply products and increasing short-supply ones.
2. Strengthen cooperations between industry and commerce, and between industry and trade, speed up commodity circulation, and solve the prominent problems existing in the production, marketing and procurement of industrial products. Both the industrial and trading parties should implement the stipulations of the No 67 documents issued by the municipal government this year. The procurement prices for foreign trade products should be based on that of 1983 yearend. Industrial departments should ensure the delivery of products on schedule and foreign trade departments should ensure the procurement of products in accordance with plan. Neither of them should refuse to implement plans under any excuse. The domestic trade departments should study and implement some new marketing methods and policies and should actively promote sales. The concerted efforts and good jobs of all the people will enable Tianjin to open new and good markets for its products, to make the market brisk and to promote production.
3. Attend to ending deficits and increasing profits, and strive to reduce production costs. All deficits caused by ineffective operation should be basically eliminated by the end of this year, and all deficits caused by policy reasons should be reduced from last year's. Profit-making enterprises should strive to earn more profits. Secretaries, plant chiefs, and managers of money-losing enterprises whose deficits are caused by improper management should be called to account, punished, and dismissed

from posts if they fail to fulfill their state assigned deficit-ending tasks within the deadline. All bureaus should ensure the fulfillment of this year's deficit ending plan and stop the deficits of units not covered by the state plan. All units should actively promote the contract system of raw materials based on quotas, strive to reduce consumption, reduce the output of minor products and the rate of substandard products, and economize on expenditures. Apart from the objective factors which may be excluded according to the stipulations of the financial department, all bureaus should fulfill this year's production cost reduction plan. If they fail, they must withdraw such money from their retention funds.

4. Attend to consolidation and exert resolute efforts to consolidating large profit-making units and enterprises whose economic results are declining this year. In the first quarter of this year, among the municipality's existing 716 state industrial enterprises, 192 were poor in economic results. From January to April, of the municipality's 60 large enterprises whose annual taxes and profits are above 10 million yuan, 12 increased production and reduced profits and taxes, and 8 saw a decline in both production, profits and taxes. The economic commissions, industrial and communications departments, and the various bureaus should analyze and study the situations of these enterprises one after another, solve problems whenever discovered, and strive to increase the economic results of large industrial enterprises as soon as possible.

5. We should enthusiastically organize the production, allocation, inter-flow, and supply of raw materials. The municipal planning, goods and materials, goods price, foreign trade, and industrial departments and economic and technological cooperative departments should take measures to increase supply and decrease consumption, and conscientiously make up the shortage of raw materials. Efforts must be made to create conditions in which our municipality can increase the production of those raw materials it produces. We should mobilize relevant departments and units to allocate those raw materials the shortage of which can be made up through allocation. The departments which have potentials to conduct cooperation should enthusiastically cooperate with each other economically and technologically. Efforts must be made to import some raw materials in short supply.

These are problems concerning industrial production. We should further make good arrangements for the problems concerning current agricultural production, rural work, field crop management, autumn vegetable farming, flood prevention, supporting town- and township-run enterprises, and developing specialized households and integrated operations.

#### Fourth, The Issue of Strengthening and Improving Leadership.

At present, leaders at all levels are faced with heavy tasks and big affairs under a good situation. This is the first year of the 3-year program for party rectification. The first group of party rectification units are leading organs at and above the district, county, and bureau levels. The key to fulfilling our tasks of party rectification in line with the demands of the central authority lies in whether or not these

units can achieve party rectification work. In our economic work, the municipality should attend well to the work of reform, opening to the outside world, current production, and a series of construction tasks. We should be inspired with enthusiasm, be united, and strengthen our leadership in an effort to make big strides in our reform and opening to the outside world, to achieve party rectification work and economic construction within this year. At the same time, deep changes must be taken place in all fields of work during the year. In order to achieve these tasks, a few demands were set forth as follows:

1. We should further correct the guiding ideology of professional work of all departments. The CPC Central Committee repeatedly stressed that the work of all fronts and departments must obey and serve the general tasks and goals of the party and their professional guiding ideology must suit the new situation of the four modernizations. Through studying the party rectification document, goods and materials production, economic multipurpose, educational, scientific research, propaganda and cultural, organizational and personnel affairs, and united front work departments must have a further unified understanding about the basic issue on obeying and serving the general tasks and goal of the party, be devoted to economic work, reform, and the work of opening to the outside world, make efforts to create a new situation in their work, and make due contributions to the economic construction.

2. We should make overall arrangements for our work and definitely divide the work with individual responsibility. Under the current situation in which we are faced with many big affairs and heavy tasks and time is pressing, party committees at all levels must make efforts to make overall arrangements for the work. They must attend to priorities in order of importance, scientifically stress timing and order and effectively use time. In doing work, we should attend to collective leadership, clearly define the division of labor, and strictly carry out the system of individual responsibility. The municipal CPC Committee has decided that leading organs at the municipal level must establish the personnel responsibility system in line with the party rectification work. All ports, districts, bureaus, companies, enterprises, and establishments should carry out the system of responsibility, do their own duties and cannot shift responsibility onto others. Leading cadres at all levels should carry out a system of rewarding the good and punishing the bad, and clearly distinguish the reward from punishment.

3. We should vigorously strengthen the ideological and political work. Along with the development of reform and opening to the outside world, new changes will possibly take place in superstructure, production relations, management methods, and people's activities. New ideological problems must be created among some cadres and people. These set new tasks and demands for ideological and political work. In carrying out the current reform and open policy, we should strengthen the ideological and political work. At the same time, we should reform our ideological and political work. We should emancipate our minds, boldly make practices, study assiduously, ceaselessly sum up experiences, and find out methods, that

meet the needs of the times, for conducting the ideological and political work. In order to give play to the role of ideological and political work, we should emphasize investigation and research, understand the whole situation and successfully carry out work in all fields. For instance, in the work to implement the policy on intellectuals, there are indeed some problems, mainly the "left" tendencies, which should be solved earnestly. When we are doing our best to tackle practical problems, we should also clearly explain to the people the relevant situation, such as the progress of work, the practical difficulties we face and future plans, so that they will enhance their confidence and work in unison to overcome difficulties and win success. We should note that the tasks for the ideological and political work are very arduous in the new situation. The ideological and political work is by no means dispensable and can be weakened. Instead, it should be strengthened continuously. We should arouse the people's socialist enthusiasm to the maximum through the work and give rein to it. It is hoped that the masses of cadres in charge of political work will clearly understand this situation, take the initiative in shouldering the responsibilities entrusted by this era and make due contributions to creating a new situation in the ideological and political work.

4. We should vigorously and conscientiously promote and train cadres. An important work of leadership is the use of people. Two years of readjustment has enabled leading bodies at all levels to come closer to the "four requirements." This, however, never means that the current cadres structure and leadership quality are compatible with the demands of the new period. Discovering, using and training competent people should continue to be a serious task for us. The municipal CPC committee will once again stress that CPC committees at all levels should seize opportunities to promote pioneering cadres who have the courage to explore and create the new and allow them to assume frontline posts in leadership work. We should particularly select the best from young and middle-aged intellectuals and use them so that leading bodies at all levels can meet still better the "four requirements." For this reason, we should change the outdated criteria for using people and reform the system of cadre administration. Through discussions, the municipal CPC committee decided that in the future CPC committees should administer the leading bodies at the next lower level alone. Promotion and training of cadres should be coordinated. All pertinent departments should formulate their own plans for cadre training and adopt feasible measures to train a great number of competent persons of various specialties at various levels.

5. We should enhance our spirit, strengthen unity, improve workstyle, sum up experiences and do our work in a down-to-earth manner. Facing the excellent situation and the arduous tasks, we should maintain high revolutionary will and the spirit of pioneering an undertaking through arduous efforts, never rest content in our achievements, not be intimidated by hardships or shaken by censure, and make unremitting progress. We should highly value and strengthen with redoubled efforts the unity within the party and the unity between the party and the masses, and, aiming at the great goal of fulfilling the general task, mobilize all positive

factors and unite with all the people to work for the four modernizations with concerted efforts. We should exert great efforts to improve workstyle. We should foster ideas of bearing hardships, do solid work, seek no formality and empty talk and do more earnest work to achieve substantial results. We should go deep into the realities of life, conduct investigation and research, foster models, conscientiously sum up experience and find out the certainty and make a breakthrough in it to promote the entire area.

Comrades: Half of this year has passed. "July 1" was the 63d anniversary of the founding of our great party. It is through arduous struggles and glorious fighting course that our party has won today's success and created a brilliant future. Time is opportune at present and waits for no one. With the guidance of the CPC Central Committee's line, principles and policies, let us further emancipate our minds, explore bravely, do solid work, take advantage of the situation to make progress and greet the 35th anniversary of the founding of the PRC with the outstanding achievements in creating a new situation in the municipality's four modernizations.

CSO: 4006/696

AGGREGATE ECONOMIC DATA

BRIEFS

HIGHER INDUSTRIAL PRODUCTION--Beijing, 8 August (XINHUA)--China's industrial output was worth 387.62 billion yuan in the first 7 months of this year, XINHUA learnt today from the State Statistical Bureau. This was 11.9 percent more than in the same period last year. During the period, light industry's output value increased by 11.6 percent while heavy industry was up 12.1 percent, indicating a balanced growth. Coal production rose 10.4 percent to 433,592,000 tons; crude oil 6.7 percent to 65.16 million tons; and electricity 7.2 percent to 214.19 billion kWh. Pig iron output was 8.3 percent higher, steel, 8.7 percent up, and rolled steel, 9.9 percent more. The country produced 66,744,000 tons of cement over the 7-month period and 8.64 million tons of chemical fertilizer--increases of 12.6 and 6.1 percent respectively over the same 1983 period. About 378,400 walking tractors and 168,100 motor vehicles were made--up by 33.9 and 21.8 percent. The output of refrigerators and color television sets was 2.3 and 2.6 times the corresponding figures last year. Increases were also reported in the production of other consumer durables like washing machines, radio sets, cameras and tape recorders. [Text] [OW081126 Beijing XINHUA in English 1112 GMT 8 Aug 84]

CSO: 4020/171

## ECONOMIC MANAGEMENT

### NEED TO IMPROVE ECONOMIC RESULTS EMPHASIZED

Shanghai FUDAN XUEBAO [FUDAN JOURNAL] in Chinese No 1, 20 Jan 84, pp 34-38

[Article by Dan Dong [0830 2639]: "Some Relationships Concerning the Improvement of Economic Results That Command Attention"]

[Text] In explaining our country's economic construction policy during meeting with foreign visitors, Comrade Hu Yaobang pointed out: "We emphasize not only speed but also economic results even more."<sup>1</sup> Shifting the focus of our economic work into the orbit aimed at improving economic results is one of the important aspects of the grand economic development program adopted by the 12th CPC Congres. It is also a task of prime importance to all forms of economic work. To fulfill this glorious but difficult task, we must pay attention to the following relationships.

#### I. Economic Results and Growth Rate

The pace of economic development refers to the comparable trends of the same statistical project (such as output value and output) in a specific period or its growth rate. The economic results must take the form of the growth rate. But both are not always in tandem with each other. The reason is that sometimes the high growth rate can be achieved by high consumption bordering on serious waste. Under such circumstances, the high growth rate may be accomplished by poor results. But the objective of socialist production requires the socialist economy to develop at a specific speed that will produce relatively high economic results. In other words, we must produce the maximum amount of products needed by society with the minimum consumption of physical labor and materials. Since the founding of the PRC, our production has been developing more rapidly than ever. Despite this, for a considerably long time--except for the first 8 years following the founding of the republic--the economic results have been consistently poor. Since the Third Plenum of the 11th CPC Central Committee, the people have achieved a more comprehensive understanding of the relationship between the growth rate and the economic results through the in-depth summing-up of historical

<sup>1</sup> Hu Yaobang's statement during his 18 August 1983 meeting with foreign guests (XINHUA, 18 August 1983).

experiences in economic construction. However, in real economic work, poor economic results remain a problem that still needs to be satisfactorily solved. For example, in 1981, the rate of tax on capital gains from the industrial enterprises of ownership by all people was 23.8 percent down 6 from 29.8 percent in 1965. Every 1 percent increase in the rate of tax on capital gains would add 3.87 billion yuan to the revenue a year. In other words, if the rate of tax on capital gains were elevated to the 1965 level, some 23 billion yuan, nearly equivalent to more than one-fifth of our current national financial revenue, could be added to the treasury a year. In 1982, the state enterprises planned to cut their costs of production by 2 to 3 percent. But in the end, this failed to materialize. This failure alone had cost the state 4 or 5 billion yuan in revenue. In the 4 years from 1979 to 1982, we saw our gross industrial and agricultural output value rise 8.5, 7.2, 4.5 and 7.3 percent, respectively, or grow at an average annual rate of 6.87 percent, exceeding the average annual growth rate of 4 to 5 percent called for by the Sixth 5-Year Plan. But during these 4 years, because the economic results showed no turn for the better, the revenue that went to the treasury did not grow as expected. Furthermore, under the influence of the strong force of habit in favor of high speed and output value, some localities and enterprises were tempted to get new projects under construction whenever they had the money. The result was a tense situation marked by short supply on the financial, energy, communications, transportation and material supply fronts. This proves how important it is to balance speed with results. As seen from the entire process of our economic construction, any unilateral desire for speed without taking into account whether it could produce results should be called a harmful tendency. Historical experiences testify that any single-minded quest for growth rate without taking into account whether it could produce results would result in a high speed that would be shortlived. Doing so would not lead to increased production which can serve as a basis for improving the people's living standards year after year. Acting in this manner is also inconsistent with the provisions of the basic socialist economic law.

In many cases, the relationship between speed and results takes the form of the relationship between the quantity and quality of products. If an enterprise can increase the quantity and improve the quality of its products simultaneously, it will have no difficulty in balancing speed with results. A contradiction between speed and results would assert itself, if it can increase only the quantity of its products without being able to improve their quality as well, and if it allows their quality to drop until they become second-rate products and have to be junked. Any unilateral quest for increased output without paying any attention to the quality of products is a manifestation of the unilateral quest for speed, which is inconsistent with the requirements for improving the economic results. Since the Third Plenum of the 11th CPC Central Committee, the party and state have repeatedly called for paying close attention to the need for improved quality of products. But so far, the "quality first" notion has yet to be firmly established in the minds of economists. At present, the poor quality of industrial products remains a striking problem. In unilateral quest for increased output and output value, some

some localities and enterprises seem not interested in improving their quality. For this reason, the situation characterized by the low quality and monotonous variety of products, high material consumption and high production costs, and poor economic results remains basically unchanged.

To improve the quality of products means to add value to their utilization. Once the value of these products in use is added, our society will become richer. High-quality products are more durable than others. This is tantamount to an effort to produce more goods with the minimum amounts of fuel, raw materials, and power consumed, and to save many human labor and material activities. In that sense, to improve the quality of products means to speed up the pace of development and improve economic results. If a product is qualitatively poor and unable to meet the needs of society, it will become unmarketable, and add to the stockpile in the warehouse. Under such circumstances, great quantities and high speed will turn out to be something like worthless water. As seen from the viewpoint of social and economic interests, it is unprofitable and harmful. Therefore, in developing production, we must give first place to, and strive to improve, the quality of products. We must increase their variety, lower the material consumption in terms of per-unit output, and improve the comprehensive socioeconomic results. We must give first consideration to improved quality, and secondary consideration to increased quantity of products. This is the correct path for us to quadruple our output within the next 20 years with greater economic results.

In summing up our historical experiences in economic construction, Comrade Deng Xiaoping pointed out: "Experiences have cautioned us against taking too quick and too hasty steps. In the past, impetuosity had led us to make some mistakes or what is called 'leftist' mistakes, which caused economic development to slow down."<sup>2</sup> We must firmly bear in mind this historical lesson, and always persist in balancing speed with results, and quantity with quality. Comrade Zhao Aiyang said: "In emphasizing speed, we must constantly give first consideration to the improvement of economic results. Under no circumstances can we blindly seek to increase output and its value. We must pledge our constant efforts to improve the quality of various products, increase their variety, produce marketable goods which can effectively add to the wealth of society."<sup>3</sup> These constitute a principle guiding our handling of the dialectical relationship between economic results and the growth rate.

## II. Economic Results and Relationship Concerning Ratios

Marx said: "The planned distribution of work-time among the different divisions of production based on the common manufacturing system remains the first economic law."<sup>4</sup> The term "planned distribution" alludes to the establishment of reasonable economic structures and links of

<sup>2</sup> Please see "Selected Works of Deng Xiaoping," p 362.

<sup>3</sup> Zhao Ziyang's "Report on the Work of Government" to the Sixth NPC.

<sup>4</sup> "Collected Works of Marx and Engels," Vol 46 (Part 1).

coordination in the proportionate development of socialized mass production. The relationship in which resources should be reasonably and proportionately distributed is not only indispensable to the promotion of the socialist mass production but also a prerequisite for achieving economic results on a grand scale.

The national economy is a complicated structural system under which various departments are interconnected, and being watched and checked by one another. If we pay no attention to the normal requirements for reproduction, or the relationship in which resources should be proportionately distributed among the various sectors of the national economy, we will be unable to achieve our intended economic results. Since the Third Plenum of the 11th CPC Central Committee, a relationship marked by harmony in the proportionate development of the national economy has gradually taken shape through the resolute implementation of the economic policy of readjusting, restructuring, consolidating, and improving. Following several years of efforts, we have achieved remarkable success in readjusting the economy.

But efforts have yet to be made to completely reverse the trend characterized by disproportions in the economy. But as the serious disproportions in the national economy are being rectified and steps are being taken to return it to normal, people may tend to forget past lessons drawn from history, and may aptly become too zealously obsessed with speed, which may lead them to upset the already established balance between accumulation and consumption, and between the means of production and the means of subsistence. A situation like this occurred from 1963 through 1965 following the readjustment of the national economy, and a similar situation repeated itself in 1982. In 1982, the scope of our investment jumped 25 percent to 55 billion yuan from the 1981 level of 44.3 billion yuan, far exceeding the growth rate of the national income and the means of production. From January through May 1983, the amount of investment increased by 37.3 percent over the corresponding period of the previous year, far exceeding what the nation could afford. Consequently, steel products, timber, and cement were in short supply again, causing heavy industry in some localities to squeeze light industry, and the proportion of accumulation in the national economy to rise more rapidly than ever. If no timely steps were taken to control the scope of investment in fixed assets, another disproportionate development of the various sectors of the national economy would have resulted. Fortunately, the party and state acted swiftly to nip the problem in the bud by countering it with a decisive measure. Then, a decision was adopted by the State Council to strictly control the scope of investment in fixed assets, stipulating that in organizing production and construction, all economic sectors must follow the state rule in achieving a comprehensive balance, strengthen planning and consciously preserve the proportionate and well-balanced development of the economy. Any conscious implementation of the relevant principles and policies of the party and state first of all requires us to become aware of the inseparable linkage between proportionate development and results.

In promoting socialized mass production, efforts must be made to distribute the means of production and the labor force proportionately among the various production units. Today, the requirements for the proportionate development of the socialist economy seem stricter than ever. This is actually an objective requirement of basic socialist economic law and the law governing the planned and proportionate development of the national economy. To insure success in improving the people's living standards and developing the national undertakings simultaneously, every possible effort must be made to develop and preserve a relationship which will lead all sectors of the national economy and all social production units to distribute resources proportionately among themselves in the best interest of the development of the economy on a grand scale. Only by figuring out a ratio in the best possible way can we achieve the best economic results. Of course, in real economic activity, it is not easy to realize the most appropriate ratio of this kind as the basis for achieving the best economic results. Because our present economic technology and science of management remain at low levels, the requirement for such a best ratio and economic results is now still in theory. We would be satisfied, if we could achieve better economic results through the adoption of a better ratio. According to the academic analysis of some important data on ratio-related matters, during the past 10 years, the best ratio of the output value of heavy industry to the combined output value of light industry and agriculture within the framework of gross industrial and agricultural output value was 2:3; the best percentage of savings in the national income ranged from 27 to 30 percent; the more ideal proportion of investment in financial expenditure was 30 percent; it was more normal to see the production of the means of subsistence and the people's standard of living grow at a rate of 6 to 7 percent and nearly 6 percent, respectively. In order to realize ratios of this kind, we must continue to concentrate on the task of national economic readjustment, make further efforts to achieve a comprehensive balance, continue our efforts to revamp all sectors of the national economy (first of all, two major sectors) until they can grow proportionately, and establish a reasonable economic structure. Only in this way can we achieve greater economic results, lay a firmer foundation, make future growth possible and revitalize the economy as early as possible.

### III. Economic Results and Commodity Circulation

To improve socialist economic results, we must also pay attention to the area of circulation. Conversely, we can in no way focus our attention on the area of production alone.

To improve economic results means to turn out more goods demanded by society at less cost in terms of labor and material consumption. However, whether a product is truly able to meet the needs of society can be verified only by the consumer through the channels of circulation. Therefore, the area of circulation can be described as a touchstone for verifying whether a product is able to meet the needs of society. Paying attention only to production, failing to emphasize the importance of circulation, and ignoring the fact of whether a product is demanded by society would result

in building up the stockpiles in warehouses. This is really the most wasteful practice. In analyzing the capitalist process of circulation, Marx pointed out: "The process of circulation gives vitality to the new potential, and will affect the role of capital to a certain degree, and will make it shrink or expand. But it can add nothing to the value of capital."<sup>5</sup> This statement on the effect that circulation has on production is also applicable to the socialist economy. Whether the period of circulation will be extended or shortened will have a direct role to play in extending or shortening the period of production, and in narrowing or expanding or shortening the period of production, and in narrowing or expanding the scope of production. To accelerate the pace of circulation and streamline the process of circulation is instrumental in leading the society as a whole to improve its economic results. The less the expense for the circulation of goods, the greater the commercial profits. The closer to zero the period of circulation, the higher the speed at which capital is circulated and the greater the role played by capital in the process of production. As seen from this, there is tremendous economic potential that needs to be deeply tapped and exploited in the area of circulation.

Basically, the old circulation system we borrowed from the Soviet Union in the early 1950's can no longer suit the needs of our modern construction, because it has many loopholes, i.e., the overconcentration of power, emphasis on rigid control, a lack of channels of circulation, too much red tape, eating "out of a big pot of rice" at the expense of the state, poor service quality, and low economic results. The 12th CPC Congress pointed out that the tendency to waste in the area of circulation was surprising. An overall national survey also revealed a spending spree at the expense of the circulating fund. According to statistics, the commercial sector's share of the circulating fund was the largest ever known. In 1980, their sharing of this fund accounted for 57.6 percent of the total. The huge inventory of products has caused the cash flow to slow down. From the turnover of major products in inventory, we can see that in 1981, the turnover of steel products took 289 days, an increase of 135 days over 1958's 98 days; the turnover of pig iron took 48 days, an increase of 24 days over 1960's 20 days; the turnover of rubber took 161 days, an increase of 135 days over 1958's 26 days; the rate of commercial capital gains was 10.3 percent in 1981, down 9.7 percent from the 1957 level of 20 percent; the rate of supply and marketing cooperatives' capital gains was 5.9 percent, down 8.6 percent from the 1952 level of 14.5 percent. During the past several years, our financial status has been far from satisfactory. This certainly has had a great deal to do with the poor economic results in the area of circulation.

Since the 12th CPC Congress, commodity circulation has been accelerated as a result of the stepped-up reform of the commercial system and the extensive implementation of the economic contractual responsibility system aimed at streamlining the divisions of responsibility, power and profits. A survey of the situation during the first half of this year revealed a remarkable increase in the social commodity retail sale over its growth rate of the corresponding period of the previous 2 years. This largely

<sup>5</sup> "Capital," Vol 2, pp 48-49.

resulted from reforming the commodity circulation system, indicate that only by circulating commodities in many economical ways, through various channels of circulation, and with multipurpose management methods, and by cutting red tape, can we pledge to bring prosperity to the urban and rural markets and improve economic results.

However, the reform of our commodity circulation system, now still in its beginning stage, still needs to be continuously and thoroughly carried out. Many theoretical and practical problems such as the question that it is unscientific to use profits or income from sales as the base contractual figure in the reform of the commercial system still need to be further discussed. Other problems worthy of further discussion are how to make contractors guarantee quantity and quality, how to reverse the current widespread tendency to lower the contractual base figures, how to establish a new system of evaluating commercial indexes, and how to make the commercial enterprises transform the profit system into the taxation system as quickly as possible. In the course of reforming the commercial system, we must widely listen to the opinions of the masses. Only in this way can we better bridge the gap between the producers and consumers, increase the variety of commodities, improve their quality, and find better ways to satisfy the growing needs of the people. To this end, we must step up the gathering and transmission of marketing information, and improve business management and service qualities. We must uphold the leading position of state commerce and the dominant role of the state planned markets as a prerequisite for carrying out the reform, and for actively developing joint ventures in all forms. We must continue to break regional barriers, eliminate the situation in which no communications exist between different commercial areas, and consolidate and improve the free-for-all, multi-channel and less restrictive system of circulation that has proved effective since it was put into effect. We must persist in reform, give first place to the national interests in the course of reform, correctly handle the relationship of interests between the state, enterprises, workers and consumers, uphold the principle of identifying commercial economic interests with national economic interests, and continue our experiments, constantly sum up our experiences until our reform becomes perfect. As long as we can do so, we can certainly open a new prospect for the development of a highly fruitful, Chinese-style socialist commodity circulation system.

#### IV. Economic Results and Technical Progress

As seen from the point of view of production forces, to improve socialist economic results means to promote technical transformation, use advanced technology and management methods as part of a continuing effort to lower the labor costs for per-unit output, improve the quality of products, and meet the needs of society with goods produced at a lower cost of labor. Marx highly emphasized the role of science and technology [S&T] in developing production and improving the economic results. He repeatedly identified S&T as productive forces. In modernized production, the development of production largely depends on the advanced levels of technology and equipment used by workers rather than on the amount of

labor consumed in the course of production. The three major factors for production, namely, laborers, the goal they strive to achieve, and the means used by them, will continue to improve their qualities as a result of the development of science and its application in production. As a result of the development of technical innovation and technical revolution, the means of production have evolved from simple hand tools into mechanized, automatic, and computerized mechanical systems. Meanwhile, those laborers who work with muscle have transformed themselves into intelligent workers armed with scientific and technical knowledge, capable of successfully manipulating the advanced technical equipment. The result is the broadening of the prospect for the utilization of natural resources available to man. The advanced production management system is also instrumental in organizing these steadily improved factors in a way that everyone can bring his talent and ability to develop resources into full play, and more goods demanded by society can be produced at a lower cost in terms of labor and material consumption. It was precisely such an important role played by science and technology in progress that inspired Comrade Hu Yaobang to point out in his report to the 12th CPC Congress: "The crux of the four modernizations is the modernization of science and technology. In the future, plans must be worked out to carry out the large-scale technical transformation, carry forward various technical achievements that have proved economically effective, and actively use new technologies, new equipment, the new state of the art, and new materials."<sup>6</sup> Comrade Zhao Ziyang also pointed out: "The sectors of industry, agriculture, all trades and professions, factories, both old and new, must make progress in the technical field, and use advanced technology as a basis for promoting production."<sup>7</sup> We must continue to improve the economic results as a prerequisite for carrying out the strategic task to quadruple output. We must firmly grasp the link in modernizing science and technology.

The significant role played by advanced science and technology in the modernization of various undertakings, and in improving economic results is now widely known. However, in this connection, there still exists a biased view which has led people to emphasize materials instead of man, and technology instead of management. It has also led many leaders of enterprises to believe that the promotion of modernized production means purchasing or importing additional advanced equipment or making material investment. But just as Marx said long ago, any advanced equipment will be reduced to scrap iron junk, if no one knows how to use it. If we emphasize only material instead of intellectual investment, and if there are no properly trained technicians and technical workers to use the advanced equipment, we will be unable to bring the role of advanced technology in improving economic results into full play.

As soon as the advanced equipment, qualified technicians and well-trained workers are made available, it means that both material and human factors are prepared to carry out the modernized form of production. But if they are not scientifically organized through the adoption of the modernized

<sup>6</sup> "Fully Broaden the New Prospect for Socialist Modernization" by Hu Yaobang, the People's Publishing House, 1982, pp 10-11.

<sup>7</sup> "A Strategic Question of Economic Rehabilitation" by Zhao Ziyang (24 October 1982).

modernized form of management, the enterprise will still find it impossible to improve its economic results. To improve economic results is not merely a technical problem in production, but a task calling for raising the levels of business management. Today, there are still some enterprises which want to emphasize only technology but neglect business management. In real economic life, why are there some enterprises which can achieve greater economic results than others despite the fact that the former's technology and equipment are less advanced than the latter? The reason lies in their management which is better prepared to bring the role of their equipment, technicians and trained workers into full play. On the other hand, owing to their ignorance of scientific management, some enterprises still find themselves unable to improve their economic results, despite their very advanced equipment, and a large number of technicians and trained workers available to them. An example is a general camera plant in a certain city, which has installed 20 million yuan worth of advanced equipment imported from abroad. Although the state has provided it with 20 million yuan and a large number of technicians for a long time, it still cannot come up with any specific types of products. This individual case indicates that advanced technology is not necessarily a guarantee for high economic results, and that the link of management is extremely important, if we want to exchange minimum input for maximum output, if we want to produce as many products as possible to meet the needs of society at a minimum cost in terms of labor and material consumption, and if we want every enterprise to improve its economic results in an all-round way.

Economic results are a comprehensive index. Economic results will be affected not only by economic work, both good and bad, but also by political and ideological and other work. Therefore, economic results are a topic which can go beyond what was previously discussed. However, the aforementioned relationships constitute the principal contradiction which will affect the situation as a whole. If this principal contradiction can be properly handled, it will provide a fundamental guarantee for achieving dialectical unity between the long- and short-term economic results as well as the grand objective of the 12th CPC Congress.

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CSO: 4006/484

## ECONOMIC MANAGEMENT

### WUHAN IRON, STEEL PLANT RAISES ECONOMIC EFFICIENCY

HK031507 Wuhan HUBEI RIBAO in Chinese 22 Jul 84 p 1

[Report by Li Mingjun [2621 2494 6874] and Li Qinglin [0491 1987 2651]: "Wuhan Iron and Steel Company's Economic Results Better One Year Than Another With the 'Switchover From Profits to Taxes'"]

[Text] Our reporters have learned from the Wuhan City taxation departments that since the trial introduction of "switchover from profits to taxes" in 1981, the economic results of the Wuhan Iron and Steel Company have been better and better year by year. On average, its output value, sales, profits, and taxes paid to the state respectively increased by 11.42 percent, 9.29 percent, 24.61 percent, and 18.97 percent annually. All targets increased in the first half of this year as compared with the same period last year. The days when the company failed to pay profits to the state are gone forever.

The Wuhan Iron and Steel Company is one of China's famous iron and steel industrial bases. In order to promote iron and steel production, the State Council approved the Wuhan Iron and Steel Company to carry out the pilot project of "substituting taxes for profits" beginning 1981. The concrete methods are: The company should pay the state fees for using fixed assets, the fees for using current assets, (two fees for short) and income taxes. The profits after the payment of two fees should be shared by the state and enterprise equally.

After the introduction of the switchover from profits to taxes, the Wuhan Iron and Steel Company has widely reorganized leading bodies in the company, factories, and mines, restructured labor organizations, established and perfected the job responsibility system, and changed the situation of "the enterprise eating from the big pot of the state and employees from the big pot of the enterprise," thus arousing the enthusiasm of the enterprise and workers and staff members. The company has switched from a unitary type of production to the combination of production and operation. Various economic indices have gone up year by year. As a result, the company has not only made more contributions to the state, but has also accumulated more and more funds. Over the past 3 years, the Wuhan Iron and Steel Company has accumulated some 350 million yuan (including the recovered

part of the depreciated capital), which can be used to expand production. The welfare funds for workers and staff members have also been greatly increased. The funds increased by 105 million yuan in 1983 as compared with 1980. Some 210,000 square meters floor area of new residential houses have been built in the past 3 years and improvements have also been made in medical, educational, cultural, and other public facilities.

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## FINANCE AND BANKING

### IMPROVING FINANCIAL WORK IN RURAL AREAS URGED

Beijing CAIZHENG [FINANCE] in Chinese No 2, 8 Feb 84 pp 1-3

[Article by Chi Haibin [6688 3189 3453]: "On Improving Financial Work in Rural Areas, Supporting All Phases of Agricultural Production Development"]

[Text] Since the Third Plenum of the 11th party Central Committee, many great changes have taken place in our rural areas. Rural villages across the country have put into practice all forms of the responsibility system in agricultural production. Agricultural production is in the process of transformation from a self-contained or partially self-contained economy to a rather large-scale economy, of transformation from a traditional agriculture to a modernized agriculture. The entire rural economy has taken on the new face of thriving development. Comparing 1982 to 1978, the gross agricultural output increased 33.4 percent, grain output increased 16 percent and cotton 66.1 percent. For 1983, despite numerous localities suffering natural calamities to varying degrees, it is estimated that there are relatively large increases in grain, cotton and other major economic crops compared with 1982. During this period, all kinds of other enterprises and peasant household sideline production in rural areas have developed to a rather large extent. Along with the development of production, there has been a big increase in peasant income. The broad masses of peasants under the direction of party policy are on the course of marching toward a deepgoing and far-reaching production.

In order to promote the development of agricultural production, over the past few years all levels of finance departments have improved and strengthened agricultural support work in accordance with the spirit of the Third Plenum of the 11th party Central Committee and the policy of "readjusting, restructuring, consolidating, and improving" in national economic practice. In the process of assisting agriculture, the emphasis has been to better control support for commodity grain, economic crops, the animal husbandry industry, fishing, forestry and other basic construction and to change as quickly as possible the face of impoverished areas, including the old revolutionary bases, remote mountain areas, national minority areas, border areas and some areas where there has been long-term underproduction and grain shortages. In the past few years, national finance has gone through many kinds of channels to provide the necessary support for agriculture. One has been through appropriate rises in purchasing prices of agricultural byproducts, encouraging peasants to diligently develop commodity production, and increase production of agricultural byproducts in demand nationally. Second has been to decrease the agriculture

tax burden on communes and brigades in straitened circumstances enabling the peasants to restore and build up their strength. Third has been since the beginning of 1980, when state finance increased funds for areas with undeveloped support, and further beginning in 1982, each year draws out a special sum of money to give to the "three Wests" districts (Dingxi and Hexi districts in Gansu and Xihaigu District in Ningxia) as agricultural construction funds. Fourth has been to raise the proportion of funds allocated to forestry, animal husbandry and fishing industries out of the overall operating expenses of agriculture. In order to improve the results of utilizing these funds, financial departments in each locality have carried out on a rather widespread basis the economic contract system and a system for check and acceptance of the results of fund use for all types of funds in financial support of rural communes and brigades. Furthermore, they have, under certain conditions for a portion of the funds, tried out ways of using repayment turnover.

Based on the spirit of our central government and the current state of our national rural economic development, financial support work for rural areas must continue to be diligently oriented toward the promotion of "the two transformations" in rural villages and in actual practice give special priority to resolving several problems as follows:

#### 1. Restructure as Appropriate to the Rural Economic System, Spell Out the Priorities for Financial Support of Agriculture

The 1983 document by the Central Committee entitled "Certain Questions Regarding Current Rural Economic Policy" pointed out: "In step with the improving state of national financial affairs, investment in support of agriculture should be increased. But limited state investment should only be used for construction projects of major consequence where the efforts of the masses are unequal to the task. For example, opening up key reclamation areas, forests, starting up construction of largescale water conservancy projects, electric power projects, road arteries, telecommunication installations and storage and transport installations among others. Investment needed for other small-scale farmland capital construction and service installations should mainly come out of the accumulations funds and labor from farming itself." In order to efficaciously bring into play the effects of funds used to support agriculture, the use of funds must have selectivity, have focus and continue to uphold the principle of self-reliance as the key, with state assistance being supplementary. Since the rural areas put into practice the responsibility system in agriculture, the family joint production contract responsibility system has already become the principal form of the responsibility system in agricultural production and has played an important role in promoting the development of agricultural production. In order to move forward in the development of rural commodity production, vast numbers of contract households in rural areas (including specialized households) are urgently asking for all kinds of social services. In light of this tendency, in the future, the emphasis of subsidies from agricultural assistance funds for construction of small-scale agricultural production should be on supporting those projects which the masses are not strong enough to handle themselves but which would service the majority of

rural households. These projects include tractor ploughing, irrigation works and water and soil conservation, plant protection, epidemic prevention, seed manufacturing, breeding, and also pre-, mid- and post-production service projects like storage and processing of agricultural byproducts, feed processing, and developing construction for energy resources in rural areas. Every effort should be made to achieve benefits for the whole by supporting a key part. In this way both the development of production in rural areas can be promoted and the majority of people can derive material benefit. These projects would be centrally controlled by cooperative organizations and the fund support would be allocated to the cooperative organization. If the cooperative organization delegates to households, teams and brigades by means of contracts, then funds would be allocated through the cooperative organization to the households, teams and brigades according to contract assignments. Some projects will be handled by contract with specialized households. In these cases support funds would go directly to the households. Financial support for agriculture is a necessity, and in the future this type of work must be continuously strengthened. However, in pace with the unceasing development of the rural economy, any project which the peasants' collective capital and labor for implementation of construction for production in rural areas. For funds needed to develop production in rural specialized trades, they should rely primarily upon their own accumulations. To summarize, plans for the use of funds to support agriculture should be advantageous to promoting the development of stability and perfection in the rural production responsibility system and rural production cooperative economy, be advantageous to promoting the rapid change of conditions in impoverished areas, and be advantageous to promoting the spirit of continuing to uphold and carry on self-reliance, plain living and hard struggle, constantly improving the beneficial results of using funds to support agriculture.

## 2. All-out Implementation of the Guiding Principle "Under no Circumstances Slacken Grain Production, Actively Develop All Kinds of Business"

Our nation's population is great, tillable land scarce, and there is the problem of feeding a billion people--a monumental problem from beginning to end. In recent years, although grain production has developed rather rapidly, the average amount of grain per person is still only just over 700 jin, still a relatively low level. In the process of overall development of support for agricultural production, we must definitely place support for developing grain production in a priority position, "under no circumstances slackening off." Grain production is integrally related to many kinds of enterprises, and grain production must develop before animal husbandry, aquatic cultivation, forestry, foodstuffs processing, etc. are able to develop faster. Grain production, when compared with many other types of enterprises, in general is less lucrative economically and needs more support. The focus of assistance shoud be on places where low- and medium-level production has real potential for increased production, emphasizing help for these places to solve key problems influencing production. At the same time that we are not letting up on supporting the development of grain production, we should vigorously support the development of all kinds of enterprises. However, we

must study the changes in domestic and foreign market supply and demand conditions, guard against and overcome blindness and emphasize support for development of commodities critically lacking in the marketplace and improvement of product quality.

Agriculture in municipal suburban districts has special characteristics and should be dealt with accordingly. The State Council document responding to Beijing Municipality's overall urban plan pointed out that "The development of agriculture in the suburban districts should be geared toward the capital's needs. The rapid development of all kinds of rural enterprises and the commodities economy should be promoted, energetically raising the level of production of vegetables, milk, poultry eggs, meat, aquatic products as well as dried fish and fruit products, among others. The suburbs should be built up as quickly as possible to become the capital's servicing and stable base for nonstaple foodstuffs." This guiding principle can also be used for the suburban districts of other large and medium cities. Agricultural finance work in cities should firmly take in hand support for good management of foodstuffs production as one of its major tasks.

### 3. Vigorously Support Scientific Research in Agriculture and the Widespread Application of the Achievements of Scientific Research

Our national agriculture should be transformed from a traditional agriculture to a modernized agriculture. One important indication of this would be widespread applications of positive scientific results. The Central Committee has pointed out that development of agricultural production must "first depend on policy and second depend on science." This is absolutely correct. Our nation's tillable land is scarce, and there is not much wasteland which can be developed. By the end of this century, grain output will reach 960 billion jin. Besides relying on correct policy and improved conditions for agricultural production, we should rely primarily on the development and progress of agricultural science. We should introduce this question to those highly in need of this knowledge, actively supporting the development of agricultural science and technology. In the distribution of funds in support of agriculture, as much as possible should be provided for the support necessary to spread scientific research and technology in agriculture. Assistance funds should be chiefly applied toward such areas as the improvement of science and technology [S&T] methodology, the development of scientific research on specialized topics and improved varieties, the spread of new technology, technical secondary education and training of existing non-S&T personnel or for routine public outlays. With regard to obviously beneficial scientific results, great efforts should be made in support of their widespread application, and without further delay transform the positive results of scientific research into productive power, promoting the development of production and improving economic results.

### 4. Attach Great Importance To Bringing Soil Erosion Under Control

Agriculture is our national economic foundation. A good ecological environment

for agriculture guarantees the basic conditions for sustained high and stable agricultural yields. Once the agricultural ecological environment is disrupted, the consequences are serious and recovery is an extremely difficult thing to bring about. Because of this, doing a good job of water and soil conservation work is not only of prime importance for the coming generations but also an urgent matter for the development of our national economy. We definitely should conscientiously make the protection and improvement of the ecological environment in agriculture a priority in carrying out well the work of financial support for agriculture and support and coordinate the work of related departments in getting hold of control of soil erosion. In accordance with reports authorized by the State Council and turned over to the Ministry of Finance and Ministry of Water Resources, each locality should set aside 10-20 percent of its small-scale farmland water conservation funds for water and soil preservation, to be used primarily for taking biological measures like planting trees and grass. In areas where there is serious soil erosion, the proportion of funds used for water and soil preservation could be somewhat higher.

#### 5. Continue Assistance To Change the Backward Face of Impoverished Areas

Our national lands are vast, the natural conditions and economic environment of each area vary greatly and economic development is very uneven. Party policy is to encourage a portion of the peasants to become prosperous first, gradually achieving prosperity for all. Rather well-off brigades should primarily rely on the strength of the peasants themselves in developing agricultural production and opening up all kinds of enterprises. In poor areas where conditions are rather lacking, they should receive greater assistance. One of the important responsibilities of our financial work in support of agriculture is to help sustain the development of production in poor areas, enabling these peasants to follow the path to common prosperity. Financial support of agriculture is not the same as social relief. It primarily should concentrate on developing production in the areas receiving aid, must emphasize the effective use of state sustenance funds, insist on starting off from the actual situation and superiority of a specific area, realistically assist in the improvement of basic production conditions, and in line with local conditions open up all kinds of businesses which are able to obtain good economic results. As for economic standards for impoverished areas, there should not be a unified stipulation. Each area should handle this based on their own economic conditions.

#### 6. Improve the Management of Funds in Support of Agriculture and Increase the Results of Fund Use

For quite a long period in the past, funds in support of agriculture were gratis. Later on, the method of circulating a portion of repaid funds in support of agriculture was used on a trial basis. Judging from the results in practice, to change unrepaid funds into repaid funds for circulation is advantageous to improving the beneficial results of fund use and is a

big improvement in the management of funds supporting agriculture. The greatest advantage is it strengthens the aid recipient's feeling of responsibility, attention to economizing and attention to results. Central Committee leading comrades state: "This is a good method, good experience." They pointed out the need for thinking of ways to make state support money "both put into circulation and recovered and able to be recirculated continuously." Of course, with regard to whether or not support funds for agriculture are to be repaid, this cannot be decided with "one blow of the knife." This should be based on actual conditions, be practical and realistic, with measures to suit the situation, each case being dealt with on its own merits. Every assistance project with good economic results and conditions to carry out the repayment method should proceed with this method of support. There are some projects such as repairing a road, or building a bridge, or constructing dykes and dams which can benefit a lot of people, but they have no direct economic income in and of themselves. Besides this, there are also some expenditures for fighting natural calamities and so forth. This type of project in support of agriculture should still be carried out without repayment. With regard to working out the necessary methods for assistance without repayment, attention must be paid to improved economic results. In proceeding with support which will be repaid, previous to providing the support, surveys showing technical feasibility, economic soundness and the market demand situation, as well as forecasting and pinpointing those projects with relatively good economic results must be done.

From now on, in managing the use of funds in support of agriculture, we need to progress further in resolving well the few problems below. One is, with respect to supporting production construction in rural areas, we must uphold as the basic prerequisite the voluntary will of the masses and firmly overcome that lack of concern for the wishes of the masses, dividing up the responsibilities and distributing funds from top to bottom. Second is to make good use of the funds. Based upon changes in objective conditions and the focal points of a region's agricultural development, we should promptly and skillfully readjust the distribution of funds for certain special projects supporting agriculture, enhancing the effective use of limited financial means. Third is to adopt measures to appropriately amass some funds, allocate their use in a planned and prioritized way, and project by project get some things done, locality by locality solve some of the problems, using funds in support of agriculture as the cutting edge of the sword.

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## FINANCE AND BANKING

### SUBSTITUTION OF TAX PAYMENT FOR PROFIT DELIVERY DISCUSSED

Beijing CAIZHENG [FINANCE] in Chinese No 3, 8 Mar 84 p 30

[Article by Li Li [2621 4539]: "Initial Results of Substitution of Tax Payment for Profit Delivery"]

[Text] According to the regulations of the Ministry of Finance's "On the Experimental Methods of State-Run Enterprises in the Substitution of Tax Payment for Profit Delivery" approved by the State Council, starting on 1 July 1983, Hunan Province's state-run enterprises comprehensively initiated the substitution of tax payment for profit delivery. The work has advanced smoothly and the situation, in short, has been good. Even though the period since this work started is not long, we nonetheless have achieved good results.

Through the substitution of tax payment for profit delivery, we have basically stabilized the distribution relationship between the state and enterprises; enterprises have changed from being driven by pressure to being driven by motive force, and economic results have improved. For example, the output of Hunan's industrial enterprises for the first 5 months before the implementation of the substitution of tax payment for profit delivery totaled 4.6 billion yuan, a 7.1 percent increase compared to the same period last year. Sales revenue was 4,446,000,000 yuan, a 7.5 percent increase. However, they realized only 411 million yuan in profits (including two costs, the same hereinafter), a 4.8 percent decrease and the average monthly profits amounted to only 82.2 million yuan. Losses totaled 90 million yuan, a 2.5 percent decrease, and the average monthly losses amounted to 18 million yuan. Starting in March, after the implementation of the substitution of tax payment for profit delivery, production rose, profits increased and losses decreased. Output accumulated in the first 10 months totaled 9,389,000,000 yuan, a 9.48 percent increase compared to the same period last year. Sales revenue amounted to 9,344,000,000 yuan, a 10.5 percent increase. We realized 943 million yuan in profits, a 7.65 percent increase and an average monthly increase of 94.3 million yuan, and of this, the average monthly increase from June through October was 106 million yuan. Compared to the 5 previous months, the monthly average increased 24.2 million yuan, a 29.44 percent increase. Losses from January to October totaled 151 million yuan, a 15.53 percent decrease. Of this, losses from July to October amounted to 61 million yuan, or an average loss of 12.2 million yuan per month, a 32.22 percent decrease compared to the average monthly losses of the 5 previous months.

Through the substitution of tax payment for profit delivery, enterprises have strengthened their overall concepts and their concept of law and discipline, they have promptly handed over taxes and their revenues have increased. In the first 5 months of the year, revenue from the province's enterprises amounted to 331.36 million yuan (not including the income from the substitution of tax payment for profit delivery from agriculture, forestry and food enterprises that was temporarily not implemented and oil, cotton and coal which are subsidized, the same herinafter) and the average monthly revenue was only 66.27 million yuan. From the 6th through 10th months, enterprise revenue (including income tax) amounted to 432.83 million yuan, an average of 86.57 million yuan per month an an increase of 30.63 percent compared to the average monthly revenue of the 5 previous months. At the same time, there was also a marked decrease in the amount of profit owned by enterprises. For instance, industrial enterprises at the end of 10 months owed 39.64 million yuan, a 43.34 percent decrease compared to the same period last year and a 48.73 percent decrease compared with the end of the fifth month this year.

Through the substitution of tax payment for profit delivery, we changed the method from the beginning of the year of "sole responsibility for profits." Numerous enterprises at the beginning of the year engaged in many different methods of assuming "sole responsibility for profits." Some dug out a portion of revenue because the base was set too low. For example, a certain city in the second half of the year assumed sole responsibility, and if it honored a contract based on assuming sole responsibility, it only paid 3.95 million yuan, or 1.34 million less than according the method of the substitution of tax payment for profit delivery. The commercial system of another city assumed responsibility for the period from the first through the eighth months and the enterprise realized 448,000 yuan in profits. Not only was a single cent not paid, but the enterprise withdrew 471,000 yuan from reserves and retained 661,000 in profits, which is 294,000 yuan greater than the amount retained using the method of the substitution of tax payment for profit delivery and constitutes 65.6 percent of profits realized. For the aforementioned type of problem, after the method of the substitution of tax payment for profit delivery was assigned, changes were made through repeated work. This way, we have decreased the drain of expenses, and this is beneficial for ensuring a greater portion for the state.

Because the substitution of tax payment for profit delivery is new work, what we have realized is only the first step and we have not completed or perfected work in a few respects. Even though in the early period we achieved definite results, yet a few problems also exist. For example, the first step in the substitution of tax payment for profit delivery cannot yet completely overcome the phenomenon of everything not being equally well. The profit of enterprises after they pay income tax is, in fact, still a method of handing over profit. All of these problems need only to go through the second step of the substitution of tax payment for profit delivery to be solved eventually.

## FINANCE AND BANKING

### REPORT ON SHAANXI PROVINCE'S 1983 BUDGET

Xian SHAANXI RIBAO in Chinese 3 Mar 84 p 1

[Article by Meng Zhijun [1322 1807 0193], deputy director, Shaanxi Province Department of Finance: "Status Report on Implementation of the 1983 Financial Budget for Our Province (Summary)"]

[Text] In 1983, there was a new development in the national economy of our province, with new breakthroughs occurring in some spheres. Under conditions in which agricultural production in southern Shaanxi and in the central Shaanxi plain was severely damaged by flooding and waterlogging and in which there was a draught in the elm forest region, good harvests were obtained and total food production was at the highest level in history. Synchronous increases in results and speed were realized in industrial production. After the trend toward a decrease that had been carried over from 1982 had been turned around, there was a large increase in financial income in 1983 and there was also a large rise in financial expenditures, basically assuring that the provinces' requirements for building production and developing various projects would be met. On the basis of the present state of control, a balance of financial receipts and expenditures could be achieved in 1983.

At the start of 1983, our province set a budget for financial income for the year of 1,350,270,000 yuan. Because eight nonferrous metal enterprises including the Jinduicheng Molybdenum Company were transferred to centralized management, there was a decrease in the income assignment for our province of 13.12 million yuan. The central government issued an agricultural disaster tax directive of 6 million yuan for the province, with a corresponding adjustment in the income assignment being made. After the readjustment, financial income for the province as a whole for 1983 was budgeted at 1,311,150,000 yuan. According to the statistics of the December monthly report, financial income for the province as a whole in 1983 was 1,443,470,000 yuan, with 108.32 percent of the annual budget being fulfilled. This was a surplus income of 112.32 million yuan. There was an increase over 1982 of 7.38 percent, with income being increased by 99.28 million yuan.

The keys to the comparatively large rise in financial income in our province in 1983 were the correct policy decisions by the CCP Central Committee and the State Council and the serious attention given to financial work by the

Provincial CCP Committee, the Standing Committee of the Provincial People's Congress and the provincial government. Speaking for our finance department and various economic departments, the principal factor was our stressing of four phases of work: First, we were firm about thoroughly implementing the central government and provincial measures regarding the concentration of funds. At the start of 1983, on the basis of the spirit of the central government regarding the concentration of funds and guaranteeing key construction projects, we petitioned the provincial government to issue a circular regarding various problems in the financial system. After the central government's June work conference, we adopted a series of various measures. For example, we promptly issued the assignments to lower levels for collecting funds for key energy and transportation construction projects and soon afterward we raised the proportions levied. Implementation of tax reductions was stopped and there was a comprehensive resumption of the collection of agricultural taxes. In addition, local public welfare enterprise fees were extended for units of central government departments stationed in Shaanxi, units of local enterprises and facilities under the ownership of all of the people and enterprises under collective ownership in cities and towns. Second, we laid great stress on enterprises turning around losses and increasing profits, increasing economic results and increasing financial income. Up to the end of December, the number of industrial enterprises throughout the province as a whole experiencing losses from the level of 307 of the previous year to 17, a decrease in 129 enterprises. The losses went from the figure of 128.69 million yuan of the previous year to 58.49 million yuan, a decrease of 70.2 million yuan. Third, we carried out the first step in the reform of substituting payment of taxes for handing over profits for state-managed enterprises and intensified tax collection work, thereby assuring a stable increase in state financial income as production and income increases. Throughout the province as a whole, the change from handing over profits to payment of taxes was implemented in 799 industrial enterprises. This amounted to 94.67 percent of the total number of industrial enterprises making profits in the budget. A change was made to the method of paying taxes instead of handing over profits for all 2,165 commercial enterprises, excepting those in the food system. To the end of December, income taxes paid by industrial enterprises amounted to 319.74 million yuan, an amount accounting for 91 percent of the income of industrial enterprises in the province as a whole. Thus, most of the profits that would have been handed over to the state by industrial enterprises were recovered in the form of income taxes. Fourth, a major financial tax inspection was conducted and financial and economic discipline was enforced. Up to the end of December, throughout the province as a whole 68.2 million yuan in violations of discipline had been investigated. At the same time, 5.06 million yuan in funds in violations of discipline that had been found in the financial investigation of 1982 and that had not been paid to the treasury were recovered. This has had a positive effect on rectifying party practices and the social atmosphere, in coordinating attacks against serious criminal economic activity, in perfecting finance and financial affairs control systems, in preventing "running, risk taking, dripping and leaking" and in increasing financial income.

In 1983, the budget for financial expenditures in our province was about 1.81 billion yuan. On the basis of statistics for the end of December, financial expenditures were 1,897.287 million yuan, an increase of 9.67 percent over 1982 and the increase in expenditure of 167.15 million yuan.

In 1983, there was a turn for the better in the financial situation in our province and definite accomplishments were made in financial work. However, our work is still far from meeting the requirements of developing the situation and there are still many weak links and problems. Control of finances has been lax, supervision has not been vigorous and there has been no basic turn around in the state of lax discipline in finance. There has been little thorough going research and investigation at the grass-roots level and insufficient efforts have been made in using model guidance and promoting comprehensive work. Low economic results, dispersion of funds and insufficient financial resources remain as the predominant contradictions in economic work in our province at present. These problems are ones that we must overcome and concerning which we must make improvements in a realistic way in the course of our future work. At present, each region and city is concentrating its forces on compiling the final financial accounts for 1983. It is estimated that the financial accounts for 1983 for the province as a whole can be compiled formally by the end of March. After the accounts have been compiled, we shall make another formal report to the second meeting of the Sixth Provincial People's Congress.

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MINERAL RESOURCES

BRIEFS

DIATOMITE DEPOSIT--Kunming, 10 August (XINHUA)--China's largest diatomite deposit, with a reserve of about 190 million tons, has been located in the central part of Yunnan Province, southwest China. The deposit is associated with fine lignite. Diatomite, or diatomaceous earth, is used in filtering, absorption, heat isolation and cement mixing, and as a catalyst carrier in the chemical and building materials industries. Diatomite deposits have previously been found in Jilin, Shandong and Zhejiang Provinces. [Text] [06100853 Beijing XINHUA in English 0827 GMT 10 Aug 84]

CSO: 4020/171

INDUSTRY

BRIEFS

GANSU INDUSTRIAL PRODUCTION--The industrial output value of the Gansu Provincial Metallurgical Industry Department, the Lanzhou Nonferrous Metal Company, the provincial drug general company, Jinchang City, and Wuwei and Wudu Prefectures the first half of this year recorded an increase of more than 30 percent over the same period last year. Key enterprises throughout the province each of which consumes over 50,000 tons, saved 470,000 tons of standard coal in the first half of this year. [Summary] [HK081520 Lanzhou Gansu Provincial Service in Mandarin 1100 GMT 7 Aug 84]

YUNNAN INDUSTRIAL PRODUCTION--Yunnan Province's industrial output value in July was some 780 million yuan, an increase of 39 percent over the same period last year. In July, the province produced 620 color television sets and 70 refrigerators for domestic use, which the province had not produced in the past. Now, these two kinds of products are produced in batches. [Summary] [Kunming Yunnan Provincial Service in Mandarin 1100 GMT 7 Aug 84]

CSO: 4000/698

## CONSTRUCTION

### HENAN SCORES BIG GAINS IN CAPITAL CONSTRUCTION

HK071043 Zhengzhou Henan Provincial Service in Mandarin 1230 (III) 4 Aug 84

[Text] In the past 35 years since the founding of the country, brilliant results in capital construction in our province have been achieved. From 1950 to 1983, a total of 35.7 billion yuan in capital construction was invested in the province, and a total of 25.2 billion yuan of newly added fixed assets was achieved. Of this amount, a total of 15.3 billion yuan in fixed assets has been newly added in the industrial departments in the province, which is equal to 253 times the total amount of newly added fixed assets in the 50 years before liberation. The floor space for buildings for which construction has been completed stands at 108.51 million square meters. If this construction area were turned into a corridor 1 meter wide, it would be equal to 2.5 times the length of the equator.

Over the past 35 years a total of 19,543 different kinds of construction projects have been completed in the province. Factories and buildings have been built, springing up like bamboo shoots after a spring rain. A great number of industrial cities vie with each other in all their gem-like splendor and brilliance on the verdant land of the vast central region of the country.

Since the founding of the country, especially since the 3d Plenary Session of the 11th CPC Central Committee, our province has conscientiously implemented the principle of the state providing the necessary manpower, materials, and financial resources to ensure the construction of various key sectors such as energy resources, communications, and the building materials industry, and has built a large number of grand projects which have a direct bearing on the development of the national economy, comprising various fields related to electric power, coal, petroleum, building materials, metallurgy, and communications. In the province a total of 11 large power plants each with 100,000 kilowatts or more have been built, with a total capacity of 2.76 million kw. With regard to the coal industry, a total of 100 and [words indistinct] modern mines have been built, with a total mining capacity of 52.69 million tons. As for communications construction, up to 1983 the mileage of railways where trains were in operation totaled 3,877 km in the province. With regard to local railways, starting from zero rapid progress has been made, with a total of 1,627 km of railways in operation, which ranks first in the country. With regard

to highways, the mileage of highways for vehicles amounts to over 37,000 km in the province. The metallurgical and building materials industries have developed rapidly. At present in the province 1.22 million tons of iron and 0.77 million tons of steel are turned out each year; and more than 0.81 million tons of rolled steel are produced each year. In this way, the situation of old Henan with little iron and no steel has been radically changed.

The Luoyang glass factory is the largest glass complex in the country, which was built after liberation with the spirit of reliance on our own efforts. The second [words indistinct] line with an annual capacity of producing 2.32 million standard boxes of glass currently under construction is the largest of its kind in the country at present. The development and construction of the Henan oilfield and Zhongyuan oilfield have achieved initial results. Up to the end of 1983, facilities capable of producing 4 million tons of crude oil had been completed.

In the past 35 years since the founding of the country, urban construction has been actively carried out in the province. Through construction over more than 30 years, old cities such as Luoyang and Kaifeng have taken on a new appearance. New cities such as Pingdingshan and Hebi have come into being. At present, in the 18 cities directly under the jurisdiction of the provincial and prefectural authorities, new avenues are lit with brilliant lights, being lined with trees on both sides.

While the socialist economic construction has scored great successes, the housing conditions for people in cities, towns, and rural areas have been greatly improved. In the past 35 years the residential areas built with funds allotted by the state for staff and workers in cities, towns, mines, and undertakings has reached a total of 43.44 million square meters, and more than 1 million households of staff and workers have moved into their new houses. In the 5 years from 1979 to 1983, a total of 16.72 million new houses had been built in the rural areas in the province, and 9.6 million peasant households have jubilantly moved into their new homes.

CSO: 4006/698

## CONSTRUCTION

### FIVE MAJOR TASKS OF CONSTRUCTION BANK CITED

Beijing CAIZHENG [FINANCE] in Chinese No 3, 8 Mar 84 pp 1-3

[Article by Wang Bingqian [3769 0014 0051]: "Be More Thorough and Careful in Construction Bank's Work"]

[Text] In 1983, the impetus of unchecked inflation in the scale of capital construction had already been brought under control, advances in key construction had generally quickened and there were improved economic results in some projects. This is a result of joint effort in all respects under the leadership of the CPC and the State Council. This is also inseparable from the hard work of the nearly 50,000 employees of the Construction Bank. In order to more thoroughly and carefully perform the duties borne by the Construction Bank, develop all work in a down-to-earth manner, achieve new advances and make new progress, in 1984 we must pay serious attention to the following work.

First, we must continue to control the scale of capital construction and cause it to be appropriate for our present national strength. Controlling the scale of capital construction is still the number one task of the Construction Bank; we should pay close attention to it and should not be lax. The present economy still is not running smoothly, and conditions do not permit a comprehensive and systematic restructuring of the entire economy. Consequently we should increase our control of the economy so the phenomena of being out of control should absolutely not appear. Although there was control of the scale of capital construction in 1983, the problem of the scale of capital construction being too large was not completely solved. Currently, the boundary between capital construction and changes is not clear, there are some unalterable projects for which we have not calculated the scale of investment and, in fact, many are capital construction projects on the inside and need to be strictly controlled. The scale of capital construction has already begun to stabilize in 1984, and there are many contradictions in regard to financial and material resources and financially there are still deficits. Even if the "three great abilities" achieved such policies as increased production and imports, there are still fairly large gaps. Concerning national strength, the scale of investment in capital construction cannot again be exceeded, otherwise we will widen the gaps in financial and material resources, create shortages in every respect and this would be unfavorable for continuing the steady development of the national economy.

Controlling the scale of capital construction is a policy decision of the central government and is a positive policy. The Construction Bank has continued to do business according to the national plan. Abiding by the plan and watching for holes are effective measures for the state to strictly control the scale of investment. There are also important points for guaranteeing the steady development of the national economy. Last year the Construction Bank did a large amount of work in this respect and their supervisory control was strengthened. In short, however, work in the management and supervision of finances is still a long way from suiting the needs of the work. The management is not strict, the supervision is not effective and there has yet to be a change in the situation of financial and economic discipline being lax. In 1984, the Construction Bank must further strengthen management and supervision. Through our work, including repeated investigations of the actual scale of each area, we promptly reported the situation to party and government leaders, provided suggestions and acted as staff officers and assistants. We must strengthen inspection of capital construction payments and prevent construction outside of the plan. We must do a good job in the inspection of self-planning for capital construction plans. This will cause us in the proper manner to engage in business strictly according to the national plan and to truly control the scale of investment in capital construction within the scope of the state plan. It must be said that this is a great advancement for readjusting the national economy and realizing a steady and continuous economic development.

Second, we definitely must place the main emphasis of our work on competently managing the state's key construction projects. Key construction projects are the lifeline of the national economy and are where we place our hopes for vigorous economic development. Based on the demands of the CPC Central Committee, the entire party and nation are ensuring key construction, and we must both concentrate funds to ensure key construction and we must rationally supply funds and so promote key construction.

In 1984, the Construction Bank's tasks for ensuring key construction are weighty. The state's investment in the construction of energy resources and communications and for large and medium key projects increased greatly compared to the year before. Currently, the Construction Bank's management of key projects is still unsuitable in three ways: the organizational setup, the quality of cadres and leadership command are all unsuitable. This year we must take these three unsuitable items and change them into three strengths. We definitely must be willing to take our key strengths and firmly strengthen the management of key projects. Leading cadres on all levels certainly must change their thinking and lifestyle and place their emphasis upon key projects. In our future examination and inspection work, we must first see how the management work for key projects is working out. If state key construction projects are not competently management and other projects are well managed, this is the same as putting the cart before the horse; we are unable to calculate completed tasks. This certainly does not mean that we want people to discard other projects. Rather, we are saying that we must differentiate between primary and secondary projects and stress the importance and necessity of competently managing key projects.

in order to realize a quadrupling of gross industrial and agricultural output value by the end of this century, we must pay attention to both key construction and to technological transformation and technical advances for existing enterprises. To understand these two points, we must especially pay attention to improving economic results; this is a key problem in our economic work. Currently, the allocations that the state uses for renovation and transformation are managed by the Construction Bank. The allocations and loans for large technological transformation projects are also managed by the Construction Bank. The Construction Bank at all levels also manages the funds for the renovation and transformation of the deposits of a few departments and enterprises. Besides this, it also controls many loans for renovation and transformation, including finances at all levels taking money to manage technical loans and using deposits approved by the state to grant loans for renovation and transformation. The Construction Bank must do business strictly according to the plan approved by the state. It must truly use these funds for the technological transformation of existing enterprises and take the road to using "intensive" to enlarge reproduction. It must not again do business on a new scale and start new projects, should not use funds intended for renovation and transformation to carry out capital construction and should not continue the development of goods which are in abundant supply. The Construction Bank must pay attention to preventing blind construction and duplicate construction.

Third, we must pay attention to reducing construction costs. Current construction costs are too high and they continue to rise year after year; it is an exceedingly prominent problem. There are many different reasons for rising construction costs. The main reasons are that planned targets have risen, the cost of construction materials is increasing, there are numerous projects draining expenses and the rate of cost is too high. The potential for reducing costs is also great. The Construction Bank promotes reduced costs in regard to inspecting budgetary estimates and budgets, consolidating indiscriminate charges and indiscriminately rising prices, controlling construction targets and helping construction enterprises to reduce construction costs. There are many ways to lower construction costs; the key is to work in a down-to-earth manner. The Construction Bank must thoroughly and carefully perform investigative studies, dissect a few typical cases, promptly report to party committees and the government, adopt effective measures with the relevant departments and reduce costs.

Fourth, we must pay attention to work in restructuring. We must continue to change direction for capital construction from allocations to loans: we should not waver. Currently, opinions regarding this problem are not identical in all respects and there is resistance in our work. We must promote the change from allocations to loans and must perform arduous work. The Construction Bank at all levels must earnestly engage in learning from the circumstances of the past few years for changing from allocations to loans and must raise specific suggestions for advancing the work and quickening the pace. Currently, there are a few projects that have already carried out the change from allocations to loans and they are thinking about taking "the road of retrogression." We must strictly deal with this and should not approve it easily. At the same time, on the basis of the "five fixes," in a key way we must promote

responsible system for investment. Through this system, we must truly establish an economic responsibility system that uses investment, and we must not disregard conditions, engage in formalism and leave contracted work undone.

Last year the State Council began to levy a construction tax. This is a measure of the central government for centralizing construction funds and is also a means for controlling the scale of capital construction investment. The Construction Bank is familiar with the management of fixed asset investment and has a fair amount of experience. Thus, it has been determined that the Construction Bank be entrusted to be in charge of levying, deducting and paying construction taxes. The larger portion of the construction tax goes to the Construction Bank. The Construction Bank understands this work and has a firm grasp on the larger portion. We must be bold in bearing the burden and strive to do a good job. In our work, we must pay attention to being coordinated with financial and tax departments and must try to draw lessons our experience.

last year, the work of construction enterprises in the substitution of taxation for profit delivery was quite good. In 1984, we must again be strict and must give close attention to this work.

Third, we must earnestly do a good job at party consolidation and pay attention to building up the ranks. According to the unified deployment of the central government, we must do a thorough and meticulous job in our work in party consolidation and we should ensure that we are not merely going through the motions. Through party consolidation we must unify thinking, consolidate our lifestyle, strengthen discipline, purify our organization and push forward the Construction Bank's work. We must be attentive to appropriately arranging each task of party consolidation, make no mistakes in party consolidation and work and strive for brilliant achievement in party consolidation and work.

We must pay attention to building up the ranks. In 1984, the Construction Bank carried out the unified management of cadres and the task of building up the ranks was even more arduous. Banks with jurisdiction at all levels definitely must regionalize the forces of their personnel departments. All work in the management of cadres should only be strengthened and not weakened. After realizing the unified management, we cannot depart from local party committees in cadre arrangement but we must stress a dependence on local party committees and value their merits. We must integrate party consolidation, do a good job at building up the leading group of banks at all levels, strengthen ideological and political work and earnestly grasp work in the training of cadres and continually improve the quality of cadres.

Promoting the four modernizations is a deepening glorious revolution; new situations and problems arise continuously. In our practice, we must strive to study and must intensively research the inherent knowledge of modern economic construction. We definitely must consciously study and be adept at study and repeated study. The more we study, the greater contributions we will make for the four modernizations.

## CONSTRUCTION

### SHANDONG'S KEY CONSTRUCTION PROJECTS DISCUSSED

Jinan DAZHONG RIBAO in Chinese 15 Feb 84 p 1

[Article by Zhang Huaiqing [1728 2037 3237]: "Our Province's 11 Construction Projects Are Among Key State Construction Projects; More Than 1.5 Billion Yuan Have Been Allocated for Investment This Year, a Sum Amounting to 57.5 Percent of the Total Provincial Investment in Capital Construction"]

[Text] Our province has 11 of the 123 key projects set by the state for this year. In addition to the four projects from last year that had not yet been completed, there were seven new projects.

Most of these projects are energy and communications projects and are large-scale key state projects. They are: the Yanzhou Mining Area, the Zaoteng Mining Area, the Shiheng Power Plant, the Zou County Power Plant, the Shengli Oil Field, Shijiu Harbor, Qingdao Harbor, the double track on the Jiaoxian-Jinan Railroad, the Yanzhou-Shiheng, the Xin-He Line (interprovincial) and the 300,000-ton ethylene plane at Qilu. After all of these projects in our province have been completed, we will be able to increase our coal extraction capacity by 16 million tons, the handling capacity of our harbors by 18.9 million tons, the installed capacity for the generation of electricity by 1.2 million watts, our mainline railway tracks by more than 750 km and crude oil extraction by 5.4 million tons and will be able to produce large quantities of chemical products. This will have a major effect in changing the tight situation in energy and transportation in our province and in realizing the great goal of quadrupling. This year, the first stage of the double-track Jiaoxian-Jinan Railroad, with a total length of 333 km, and the Xinglongzhuang Coal Cleaning Plant, which has an annual capacity for washing 3 million tons of raw coal, will be completed and will go into operation.

These projects have involved large investments and tremendous amounts of work. Ten of these projects, excluding the Xin-He Line, had an allocated investment this year of more than 1.5 billion yuan, a sum amounting to 57.5 percent of the total provincial investment in capital construction. In order to complete this year's key construction projects, the departments responsible for provincial capital construction have asked higher and lower levels throughout the province to be firm in adopting an overall point of view and to continue to uphold the

principle of "priority" in the areas of local requisition and transfer, supply of local materials, arrangement of construction forces and the safeguarding of water and electricity in order to assure smooth progress in the key construction projects. Each district and city has been requested to make a conscientious summarization of its circumstances and experiences in guaranteeing and supporting key state construction projects and to make an effort to solve problems that can be solved locally.

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## CONSTRUCTION

### KEY CONSTRUCTION PROJECTS COMPLETED IN YUNNAN PROVINCE

Kunming YUNNAN RIBAO in Chinese 6 Feb 84 p 2

[Article by Sun Shou [1327 1108]: "Sixty Projects Completed in Our Province Last Year; Implementation of Directive on Concentrating Financial Resources and Material Resources To Guarantee Priority Construction"]

[Text] Last year our province strictly controlled the scale of capital construction and got a firm grasp on winding up and completing construction projects, with 60 projects amounting to an investment of over 1 million yuan being completed. On inspection by concerned departments, 30 of these projects formally went into production and were made available for use.

In order to implement the directive of the CCP Central Committee on concentrating financial resources and material resources to guarantee priority construction so that capital construction projects provided with the conditions for production and use could go into production and manifest economic results as quickly as possible, concerned departments in the province formulated a project completion inspection plan. This serves as an important measure for increasing the results of investment in capital construction and as a guarantee in such areas as equipment, materials and construction power. Each aspect was closely coordinated, stress was put on winding up and completing capital construction projects and on external cooperation, specialized studies were conducted of such problems as technology, equipment and building materials that affect going into operation, appropriate solutions were achieved and forces were concentrated on building and installing projects going into operation. In order to achieve investment results as quickly as possible, each responsible department adhered to a policy of completing and inspecting one project at a time, organized project inspection groups, conscientiously took stock of engineering materials, presented project completion inspection reports and held meetings in which various concerned departments participated; project inspections were carried out project by project; and evaluations were made in a practical and realistic way. Remaining engineering problems were handled promptly in an appropriate way.

Because of the careful attention vigorous support applied in all spheres, the completion and winding up of projects going into operation was accelerated. The principal projects that were completed and that went into operation were 8 light industry plants, 17 textile plants, 9 sugar plants, 6 cement plants, 2 cold storehouses and 9 water conservancy projects. Putting these projects into operation and using them has had a positive effect on strengthening productive capacity and improving water conservancy conditions in our province.

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## CONSTRUCTION

### QUOTA MANAGEMENT IN CAPITAL CONSTRUCTION DISCUSSED

Yinchuan NINGXIA RIBAO in Chinese 17 Mar 84 p 1

[Article by Ji Jian [4764 0494]: "Competently Run Management of Economic Quotas in Capital Construction"]

[Text] Reducing construction costs and improving investment results is the basic task of capital construction and is also an important sign for measuring the merit of capital construction work. In the past few years, although there have been improvements in the situation of economic results from Ningxia Autonomous Region's capital construction investments, the losses and waste are still fairly serious, we ignore accounting for some construction fund projects that drain expenses and use fairly chaotic standards for the rate of cost. We basically open wide our spending, this causes investment to exceed budgetary estimates and construction costs increase yearly. According to calculations from the Yinchuan region, from 1979-1982, the construction costs of civil-mixed construction residences increased nearly 10 yuan per year, and this alone requires that we expend more than 2 million yuan in investment, which is equal to the amount of investment needed to build 13,300 square meters of residence. The actual reason for the rise in the cost of construction, besides such factors as imperfect design and construction management, the rising cost of materials and equipment and an increase in the number of projects that drain expenses, is that work in the management of economic quotas is not keeping pace with demand. Thus, in order to cause capital construction investment to achieve good economic results, we must pay attention to and competently run the management of economic quotas.

The management of economic quotas is an important basis for capital construction and is also a key link for improving the economic results of investments and for promoting technological advances in construction. Its main task, based on the plans, policies and regulations of the state's relevant capital construction, is to organize the implementation of regulations, revisions, examinations and other management work for quotas for construction costs. Quotas for construction costs are an important foundation for drawing up budgetary estimates, budgets and final accounts of revenues and expenditures for construction and for checking the economic results of construction projects. Strengthening the management of economic quotas for capital construction and working out scientific and rational quotas for expenses plays an important role toward controlling the scale of construction, correctly determining construction costs, rationally utilizing

construction funds and improving the results of investments. Usually, if a construction project selects quotas for cost that are scientific and rational as well as advanced, works out a budgetary estimate and budget for expenses in order to guide construction, it can achieve fairly good economic results, compel construction units and enterprises to engage in accounting, strengthen the management of construction and so promote technological advances in economic management and in the construction industry.

Currently, problems exist in three respects in Ningxia's work in economic quotas for capital construction. First, the management structure is not perfect enough, the technical force is fairly weak and work in many businesses even today has not begun to develop. Second, the original quotas for expenses already are not suited to actual circumstances and this affects the accuracy of budgetary estimates and budgets for construction. Third, a few regions, departments and units in implementing the state's quotas for expenses, increase the expenses and raise the standard for the rate of costs and some even concoct various pretexts, use high and fraudulent estimates and give rise to the unhealthy tendencies of all eating from the common pot and overcharging. In 1952, the relevant departments of the autonomous region inspected the 226.64 million yuan budget and reduced a total of 10.4 million yuan - the rate of overestimate being 4.5 percent. At the same time, after carrying out an inspection of the budget and final accounts for some construction projects, it was found that all used high and fraudulent estimates, and some in the end overestimated by 20 to 40 percent. Thus, we must examine and pay attention to the following few points.

First, each region and department must earnestly strengthen the leadership of work in economic quotas and establish and perfect a management structure. Every relevant unit must also establish a corresponding structure, replenish specialized personnel and the technological backbone, stress technical training and raise the level of business capability and management so as to suit the needs of economic work in capital construction. Second, we must earnestly engage in investigative studies, frequently analyze and study new situations and new problems that arise in capital construction and continually revise, replenish and perfect quotas for construction expenses. We must cause this to even more correspond to reality. We must be scientific and rational and, according to the relevant regulations, engage in budgetary estimates, budgets and final accounts for construction. Third, each locality, city and county, each relevant department and each construction and design unit according to the different construction conditions of the construction site, must correctly select quotas for budgetary estimates and budgets, quotas for costs and price standards for materials and equipment. They must not increase the number of projects, raise the standard for the rate of cost and must not concoct various pretexts and make high and fraudulent estimates. We must ensure quality and improve the accuracy of budgetary estimates, budgets and final accounts. Fourth, quota management departments on all levels must strengthen the carrying out of inspection and supervision for all regions and departments that are implementing quotas, must competently engage in work in arbitration and regulation, prevent and correct the unhealthy tendency of indiscriminate apportioning to the capital construction.

## DOMESTIC TRADE

### LIAONING REFORMS RETAIL STORE MANAGEMENT

Beijing SHANGYE KUAISI (BUSINESS ACCOUNTING) in Chinese No 3, 10 Mar 84 pp 19-20

[Article by Zhang Xunui (1728 2485 6540) and Zheng Xiangling (6774 4382 0109), Liaoning Commercial Office: "Cut Down Accounting Units, Reform Management System of Retail Stores"]

[Text] We have recently cut down the accounting units of retail enterprises and made some investigations as to reforming the management systems in Fushun, Liaoyang, Dalian and other places. Retail stores in these three cities have progressively reformed their accounting systems since implementation of the enterprise responsibility system. At present, the nonstaple foodstuffs, food and service trades have eliminated 23 central and main stores from Fushun and set up 119 independent accounting units according to small stores. The accounting units of 36 former vegetable, food and service trades have been cut to 73 in Liaoyang. All 79 retail stores of the Dalian No 1 Commercial Bureau are independently accounted according to the stores. Of the 174 accounting units in the No 2 Commercial Bureau 49.4 percent are independently accounted according to the stores.

Of the jointly accounted central stores, 37.9 percent are small neighborhood stores with separate profit and loss calculations and 12.7 percent are central stores with joint profit and loss responsibilities. In sum, the present accounting systems of retail stores take one of the four main forms which follow:

1. Stores are units, accounting is independent and profits and losses are individual responsibilities.
2. Central stores are units, accounts are jointly kept and branch stores do accounting and figure taxes.
3. Central or main stores are units, accounting is joint and branch stores give bonuses.
4. Large stores practice joint management and departmental accounting. For example, the Dalian market is a large variety store with over 1,000 workers that handles 13,000 various goods at an annual sales figure of 100 million yuan. Seventeen departments of goods comprise a unit; bank accounts are independent and there are two levels of accounting and management.

The initial reform of the accounting and management system of retail stores in the three cities has added vigor to the stores and brought many new changes, transforming certain drawbacks that these systems used to have.

1. Stores Become Economic Entities in Name and Fact. Formerly, various basic-level stores had no autonomy. Authority over the six categories of personnel, finances, goods, purchases, sales and savings was centralized in central or main stores. Stores could only sell what was chosen higher up and do what was dictated from above. Purchases were divorced from sales, business from management and business from accounting. Since cutting down on accounting units, basic-level stores now have the "six authorities." They have overcome the "Waiting" and "dependent" ideologies and their subjective initiative has been aroused. For example, the Changsheng nonstate food store in Fuzhou originally was a store of considerable size under the Meiyang nonstate food central store. In the past it had no purchasing power and its stock of goods did not satisfy demands. Stocks of industrial products alone exceeded 150,000 yuan. Of these, 28,000 yuan worth were problem goods. Once the business became independent, shop employees bought and sold for themselves, stocked whatever the market demanded and always frequently repacked and had quick sales. Then purchased 340,000 yuan of goods in one season. They were not only not overstocked but rather handled over 20,000 yuan of goods previously overstocked.

2. Enterprise Management Strengthened, Economic Results Improved. Since cutting down accounting units, the enterprise responsibility system has been fully promoted, evaluation work strengthened and the level of enterprise management upgraded. In 1982, 15 of 21 state-run retail stores belonging to the Lubanmu Vegetable Co lost money and 14 made negative profit offset losses. Yet 40,000 yuan was still lost. After uniting into accounting units in 1983, economic results were at 110,000 yuan in stores and units in the first three-quarters lost money but profit offset losses. After stores implemented independence accounting in 1983, 11 collective branches of the Lubanmu department store with only 337 staff and workers maintained turnover of 4.7 billion in trade with the management attitude and behavior then allowed and contacts fruitful, give 71.1 percent and taxes remitted were at 11.6 percent.

3. Administrative Management Functions Reduced and Workload Lightened Reduced. The main tasks of management are reduced [from 4700 to 2000] and the administrative staff increased markedly in basic-level stores. The reduction of 12 main stores and the reduction of 10 management personnel and 10 managers per personnel from 14 central stores in the Fuzhou Food Central and 17 management cadres at an expenditure of 100,000 yuan may have reduced the burden of administrative management units but service will be upgraded with results. For example, in Fuzhou it is stipulated that stores with less than 100 staff have only 1 manager and a accountant; those of over 100 staff have a additional person in charge. Also, each administrative staff under the central or branch store has not four managers like managers before the reform.

4. Implementation of the Principle of "No Class Distinction" and the Non-Egalitarianism of Treating People the Same but Differently. In the past, main stores were justifiably subsidized. Those of the 14 central stores in Quanzhou those that made greater contributions and took on harder work will receive

that lost money did not receive less. After cutting down accounting units and linking bonuses to profits, bonuses are given via accounting units. When profits are high, so are bonuses. When profits are nonexistent, so are bonuses. Everyone says, "Now this is really distribution according to work."

Some new contradictions have emerged and some new problems have been encountered in the course of reform. Considering the practice of reform in various places, attention should be given to solving the following problems.

1. To adapt the superstructure to the economic base, reform of the accounting systems of commercial enterprises and reform of the management system must be simultaneously implemented. Reform of the former is bound to involve the latter. On the one hand, grassroots stores must be given corresponding autonomy once an independent accounting system is set up for them. To allow them freedom of action and truly to become relatively independent economic entities, authority to buy and sell, operate the business, utilize funds, allocate bonuses, assign personnel, etc, must be transferred to the grassroots stores within the scope allowed by policy. Without such autonomy, they cannot realize accounting of an independent nature. On the other hand, the way to achieve management and control once independently accounted stores become numerous is to correspondingly reform management organs. Management organs should be installed in line with the principles of simplifying administration, practicing economy and usefulness. They should proceed from reality and simplify the levels of administration as much as possible. Measures suited to local conditions and trades must be worked out rather than an arbitrary uniformity. After cutting down accounting units, two levels of management are to be practiced, that of the urban companies and main stores, but main stores are not to be considered first-level accounting units. The grassroots stores of the first retail store networks under Liaoyang, Fushun and other medium cities are directly managed by the urban companies. Dalian is large; urban companies had difficulty being directly in charge of stores in certain trades (e.g., nonstaple foodstuffs, food and services).
2. Speed up the training of talent, suited to the needs of reform. Since cutting down on accounting units, a shortage of talent is generally felt. Managers, fiscal accountants and other specialized personnel in particular are seriously lacking. The selection and training of specialized personnel are needed not only by the reform but are important factors that cannot be lacking in the progressive realization of scientific management. The three cities adopted "selection, assignment and training" and other methods to solve the contradiction of insufficient talent. The first is democratic selection of meritorious people. For example, after reform, 17 of 23 collective nonstaple foodstuffs store managers in the Wanghua area of Fushun were selected from among the staff and employees. Second, since the elimination of main stores, relatively strong cadres of the main stores have been selected to enrich the grassroots stores and to strengthen their leadership power. Third, fast training. For example, accounting personnel were provided to 13 stores from the short-term training of middle-aged staff and workers who had a higher middle school education and a definite work foundation and were selected by the Dalian department store.
3. Actively support the expansion of business for "poor stores" and progressively improve business. Since basic-level stores achieved independent

accounting and personal responsibility for profits and losses, some stores have been losing money. They lack funds and equipment and their buildings are old and shabby; others are remotely located and business is bad. The three cities have adopted certain measures to deal with this. First, they stress consolidation. Elements of the leadership in stores that had problems in these areas and were not run well must be readjusted and enriched. Second, the business structure is to be readjusted, the scope of business and services expanded or the business is to be changed. Third, support and aid to solve practical difficulties are stressed. In order to support newly cut down collective stores, Fushun has allocated 100,000 yuan of circulating funds and will assume losses of goods under joint responsibility for profits and losses. State-run enterprises will be responsible for repairing stores, warehouses, kitchens and other structures on the verge of collapse. House properties of state-run enterprises are allotted for use by collective enterprises. Except for a 10 percent energy expense, according to stipulations, all old expenses collected will remain to be used by the unit. These definitely will not change for 3 years.

4. Solve the entire "three funds" problem. Since accounting units have been cut down, it is hard for stores to rely upon their own strength to resolve such problems as delapidated buildings and simple and crude equipment. Thus, to solve these unequal burdens, higher level departments in charge should adopt joint and individual methods to recover part of the overall funds for labor insurance, welfare and the development of production. This will relieve stores' fears of trouble from the rear following independence.

5. Extend the wholesale store network downward and improve storage and transport services. Since achieving independently accounted stores and business autonomy, sales and the stock of goods have changed a lot. Wholesale departments in the three cities have actively extended the wholesale store network downward. It is more convenient for "small stores" to stock goods since medium and large retail stores are both wholesale. At the same time, grassroots stores are deeply grateful that storage and transport departments are also actively improving their services, setting up a service work force, volunteering to transport the goods of retail stores, setting retail payment windows within warehouses, making the acquisition of goods more convenient, etc.

6. Establish grassroots party organizations and improve and strengthen the political leadership of stores. After cutting down accounting units, party members are few or nonexistent in many stores, and they cannot singlehandedly set up party organizations. This is a commonly found problem during restructuring. Party organizations take two forms since cutting down accounting units. One, large stores with more than three party members are setting up party branches to lead and supervise stores. Two, small stores with fewer than three party members are forming joint party branches out of party members from several stores. Their responsibilities are mainly to ensure the fulfillment of all work assignments. Fushun has also decreed the assignment of one full-time political leader to be responsible for political and ideological work of staff and workers in stores with more than 50 employees.

## DOMESTIC TRADE

### HEILONGJIANG'S SOCIAL PURCHASING POWER EXAMINED

Harbin HEILONGJIANG RIBAC in Chinese 22 Feb 84 p 2

[Article by Zheng Baoxin [6774 0202 2450] and Gao Hongsheng [7559 3163 3932] of the Provincial Planning Commission: "An Overview of the Direction of Social Purchasing Power This Year"]

[Text] The overall direction is to move toward a simultaneous increase in the means of production of agriculture and in consumer goods--a decrease in the proportion of food, clothing and fuel and an increase in the proportion of articles for use and housing. There should be a rapid increase in the demand for medium- and high-grade goods and a slow increase in the demand for low-grade goods and old-style goods.

There will be a continuing improvement in the standard of living of the people as industrial and agricultural production expands. According to calculations, the social purchasing power for the province as a whole increased by 1.3 billion yuan over the previous year, reaching 3.4 billion yuan. The magnitude of the increase was the greatest of any year since the founding of the nation. The purchasing power of cities and towns increased 10.3 percent and the purchasing power of agricultural villages increased 11.7 percent. The principal cause of the increases was an increase over the previous year in income from wages by workers of collectives under the ownership of all the people and in other income of residents. There were increases in the income received from the sale of secondary agricultural products by rural brigade and commune members. At the same time, there was also a relative increase in the proportion of commodity purchasing power by residents because of a slowing of the increase in noncommodity expenditures.

Two positive results produced by the building of culture have been the changes that have occurred in the structure of consumption and in the psychology of consumption on the part of residents. The general trends in social commodity purchasing power this year have been a simultaneous increase in the means of agricultural production and consumer goods and a development in the structure of consumption toward medium- and high-grade goods. This has been manifested in the three decreases and two rises and the two quicks and the two slows. That is, there has been a decrease in the proportion for food, clothing and fuel and

an increase in the proportion of articles of use and housing, and there has been a rapid growth in the demand for medium- and high grade goods and new goods, while there has been a slow growth in the demand for low-grade goods and old-style goods.

The demand and requirement for food commodities have improved the structure of foodstuffs, with a development occurring toward diversity, higher grades and greater nutritiousness. Not only has there been a demand to increase varieties and expand the range of products but there has also been a demand to increase quality and to seek high-protein, low-fat foods. At the same time that there has been an increase in the demand for fine grains, fine vegetables, fish, beef and mutton, lean pork, poultry, eggs, fruit and milk, there have also been new demands for convenience foods and health foods. In alcohol consumption, there has been a development from high concentrations to low concentrations.

People's demands for clothing have become more particular. There has been a more rapid growth in the demand for knit goods than there has for textiles, and there has been a more rapid growth in the demand for chemical fiber fabrics than there has for pure cotton. In the area of general clothing, there has been a shift from a stress on durable clothing to one stressing a particular quality, style and originality, with the quantity of demand for high-grade clothing and suits becoming increasingly greater. There has also been demand for a higher quality of shoes and hats to make full sets of clothing. There has been a trend away from making one's own clothing and shoes to purchasing them. In addition, as urban and rural living conditions improve, household decorations have become gradually more beautiful and there has been a fairly great increase in the demand for fabrics for decorations and complete sets of bedding.

Among use commodities, there has been a rapid increase in the demand for medium- and high-grade durable consumer goods and new electrical equipment. For example, second-rate television sets are being replaced by good sets, small sets are being replaced by large sets and black-and-white sets are being replaced by color sets. Radios have gone from being thick to thin, with demand adapting to numerous pocket-size radios in a single household. Tape recorders have developed to the two extremes of high and low grade. The demand has been for portable machines and stereo and multiple functions. The demand in washing machines is for double-chamber toss-dry machines. There is a demand for both new and refined furniture and lamps and there is also the beginning of a demand for products modelled after foreign and ancient styles. There has been an overall and large increase in demand for children's use goods and there has been a continually growing demand for toys that are of a scientific and technological character, serve as learning tools and are also interesting.

There is an urgent demand for building materials for civilian use and there is an immense difference between supply and demand. Moreover, there are no regular supply channels. This is something that the departments involved should give attention to solving.

There is a great demand for the means of agricultural production, there is a high demand for quality and there is strong selectivity for varieties. As the agricultural production responsibility system is gradually perfected, the peasants will not begrudge investments in expanded reproduction and there will be distinct increases in demand for high-grade chemical fertilizer, diesel oil, improved seeds, highly effective pesticides of low toxicity, agricultural films and multifunctional, durable, low-waste inexpensive power equipment and processing machines of various kinds that can reduce the intensity of labor and that can increase labor efficiency.

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CSO: 4406/345

## DOMESTIC TRADE

### LIAONING PROVINCE SYMPOSIUM ON REFORM OF PRICE SYSTEM

Beijing JIAGE LILUN YU SHIJIAN [THEORY AND PRACTICE OF PRICING] in Chinese No 1, 20 Jan 84 pp 55-56

[Article: "Liaoning Province Convenes Fourth Symposium on Price Theory To Discuss Problems of Reforming the Price System"]

[Text] Liaoning Province convened the Fourth Symposium on Price Theory at Anshan City from 20 to 24 September 1983.

Since the 3d Plenary Session of the 11th Central Committee, definite accomplishments have been made in reforming our nation's price system. There have been changes in the irrational aspects of the price system and it has begun to develop in a rationalized direction. However, we have not yet been able to achieve a fundamental solution of the problem. At present, prices deviate from value and irrational conditions of price differences and parities are comparatively widespread. Many matters requiring reform and readjustment remain with respect to pricing in such areas as agricultural products, energy resources, mineral products, basic raw materials, processed and manufactured products and communications and transport. If the price system is not reformed, this will have a direct effect on the effectiveness of the reform of the economic system as a whole.

The majority of comrades believe that the reform of the price system must conform to the principle of seeking truth from facts, that we must set out from national conditions and that we must follow a course of price reform having the characteristics of Chinese socialism. Reform of our nation's price system should be carried out with stress on the following four aspects:

- I. We should strengthen control of the actual level of the purchase of agricultural products. During the period of the "Sixth 5-Year Plan," we cannot rely on raising the purchase prices of secondary agricultural products to increase the income of the peasants. Rather, we should rely on the subjective efforts of the peasants in raising labor productivity in agriculture and in lowering the unit costs of agricultural products to increase peasant income. At the same time, under the prerequisite that the actual standard of living and expanded reproduction capacity of the peasants not be lowered, the prices of the means of production used in agriculture should be raised suitably in order to promote the expansion of the production of the means of production used in agriculture.

II. Internal parities of industrial products should be set rationally. In the future, we should stress the reform of internal parities for industrial products in the rational allocation of the parity relationships among primary products, intermediate products and final products.

1. There should be appropriate increases in the prices of energy products and of some metal ores and chemical ores in order to facilitate development and the comprehensive utilization of natural resources. We should take into consideration the support capacity of our nation's manufacturing industries and carry out a suitable degree of readjustment in a planned and step-by-step way in order to prevent concentrations of single, excessively high increases in prices. At the same time, attention must be given to satisfactorily arranging the chain reactions of price increases for these primary products to prevent successive shifts.

2. The prices of basic raw materials for simple crude processing that are in short supply should be raised appropriately and the prices of raw materials for which supply and demand are in equilibrium and that have undergone processing numerous times should be stabilized. The prices of some raw materials for which supply exceeds demand and for which prices are too high should be lowered in order to bring the market supply and demand into equilibrium and to mitigate the contradiction of some raw materials being in short supply.

3. In heavy industry, the internal parities of manufacturing industry products should be arranged in a rational way. This should include making satisfactory arrangements of parities among different large products, parities for products of different standards and different series among products of the same type, parities between complete sets of equipment and parts, parities between ordinary products and high-grade, precision and advanced products and parities between new products and old products. The profit margins on capital in all industries should be made roughly equal in order to arouse enthusiasm for production in all fields.

4. Rational arrangements should be made for the internal parities of light industry and textile industry products, and the rapid expansion of light industry and textile products should be promoted. We must not only do a good job of handling parity relationships among producer prices of light industrial and textile products but must also do a good job of handling parity relationships among retail prices. We must also make satisfactory arrangements of parities between light industry and textile industry products in which the raw materials are industrial products and light industry and textile products or in which the raw materials are agricultural products.

III. Rational arrangements should be made of parities between the purchase prices of different agricultural products, and the comprehensive expansion of agricultural production should be promoted. Within a period in the future, the basic stability of the purchase price levels of agricultural products should be maintained and some essential readjustments should be made of individual parities that are particularly irrational. As conditions ripen, we must make readjustments in the method of excess purchases and the increased price of grain and gradually solve the problem of numerous prices for one item.

We must use the method of readjusting the purchase base to bring about a suitable reduction in the actual purchase price of oil-bearing materials. When the opportune moment arrives, we should raise the purchase prices of agricultural products, which are too low, and do a good job of handling the internal parity relationships of grain and the parity relationships between grain and oil and between grain and fruit in order to facilitate production and circulation.

IV. A rational readjustment should be made of various price differences in commodity circulation. At present, the various price differences in the sphere of circulation have undergone numerous readjustments, with some being too low and some being too high, so that they are no longer suited to the present requirements of economic expansion. For this reason, we should, on the basis of actual conditions, rationally formulate and readjust various price differences, assure a rational direction of the flow of commodities, give fixed profits to management sectors and stimulate normal operations of business activity.

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## DOMESTIC TRADE

### JILIN PROVINCE SYMPOSIUM ON PRICE REFORM, ECONOMIC RESULTS

Beijing JIAGE LILUN YU SHIJIAN [THEORY AND PRACTICE OF PRICING] in Chinese  
No 1, 20 Jan 84 p 54

[Article by staff correspondent Qu Xiaomin [1448 2699 3046]: "Jilin Province Convenes Price Theory Symposium To Discuss the Relationship Between Price Reform and Raising Economic Results"]

[Text] The Jilin Province Price Society convened an all-province symposium on price theory in Jian County from 8 to 12 October 1983 to discuss the problem of the relationship between price reform and raising economic results. The comrades attending the symposium were in unanimous agreement that raising economic results through price reform is an important new problem that must be resolved in price theory and in the practice of pricing work. The concept and the practice of relying solely on rises in prices to raise economic results that one encountered in the past in some enterprises and departments are incorrect.

How do we understand the relationship between price reform and raising economic results? Many comrades believe that a parallel relationship does not exist between them. Price reform itself is not an objective. It must be subordinate to and serve raising of economic results. Moreover, whether or not it is beneficial to raising economic results should be a criterion for testing whether or not reform has succeeded.

How can price reform be carried out so that it is beneficial to raising economic results? The following points were brought up. First, we must make price setting rational on the basis of value or the modified forms of value so that economic results can be accurately measured. Second, various types of price differentials and parities should be rationally stipulated in order to facilitate organizing commodity circulation and regulating material interests among the state, the collective and individual laborers on the basis of the principle of economic rationality so that economic results can be realized smoothly. Third, we must adhere to setting prices on the basis of quality and motivate enterprises to take an interest in improving product quality and technology and to produce products which cater to the market demand from the standpoints of material interests and economic responsibility so that economic results can be raised. Fourth, we shall adhere to relying mainly on planned prices and supplementing them with unplanned prices to assure the centralization and integration of economic planning and to enliven the economy to assure

an increase in macroeconomic results. Fifth, price reform must be beneficial to developing competition within a fixed range under the planned guidance of the state so that managers of commodity production are motivated from within and are under pressure from the outside to compete with each other in raising economic results. Sixth, we should establish and perfect a price monitoring and checking system to assure the implementation of all price measures for raising economic results.

At the symposium there was also a discussion of the problem of coordinating price reform with other economic reforms. Everyone agreed that price reform must proceed in synchrony with other economic reforms. The term "in synchrony" cannot be interpreted simply as "simultaneously." Rather, price reform should match other reforms of the economic system. In studying and implementing price reform, we should operate from the concept of the whole, setting out from the standpoint of the overall situation and proceeding step by step in a planned way.

With what should price reform be "synchronized"? There are two different views. One is to advocate synchronous reform within a comparatively broad range. Comrades who hold this view believe that prices are not only an overall reflection of the entire national economy but also a social problem. Price reform should be carried out in synchrony with the reform of various rules and regulations within a comparatively broad social sphere. For example, at present, enterprises have too many employees, the level of technology is low, enterprises do not have personnel rights and unemployment is a problem urgently awaiting solution. This involves a series of problems such as employment that bring about many new contradictions in the sphere of pricing. If the labor system is not reformed, these contradictions in pricing will be difficult to resolve. Further, if social public utilities apportion social expenditures of every description to enterprises, and if the social problems in these areas are not solved, a great many difficulties will arise in price reform. Another view is to advocate synchronous reform within a comparatively small sphere. Such persons hold that what should be synchronized with price reform are only a few aspects directly related to prices. With the reform of the tax system as the condition along with the corresponding wage reform as well as the corresponding reform of finance and credit, price reform can be carried out for the most part. Otherwise, we will be slow and not dare to start price reform. This will be disadvantageous to the reform of the national economic system as a whole.

How do we "synchronize"? There are some comrades who propose that we must "link up the inside and the outside and proceed in ordered sequence." "Inside" refers to the reform of the price system and of management methods and "outside" refers to the reform of other aspects of the national economy. The two must be linked together and their individual reform measures must support one another. In addition, we must strengthen the control and coordination of new problems that arise during reform.

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## DOMESTIC TRADE

### SHANXI'S MARKET STRUCTURE ANALYZED

Taiyuan SHANXI CAIJING XUEYUAN XUEBAO [JOURNAL OF THE SHANXI COLLEGE OF FINANCE AND ECONOMICS] in Chinese No 4, Aug 83 pp 31-35

[Article by Li Baoqing [2621 1405 0615] of the Shanxi Bureau of Statistics: "Problems with Shanxi's Market Structure"]

[Text.]

#### I.

Since the Third Plenum of the 11th CPC Central Committee, Shanxi has been the same as the rest of the nation regarding the implementation in the market of a new commodities circulation system with many economic components, many circulation channels and many management styles; commercial work has become more and more active, market supply is better and a great change has occurred in the socialist unified market structure.

Six points regarding changes in market structure follow.

#### 1. There Has Been a Rise in the Proportion of Collective and Individual Economies and a Decrease in the Proportion of the Economy of the Entire People.

In the past 4 years, in order to promote economic prosperity and stimulate the market, we basically changed the situation of state-run commercial independent management and thus caused enterprises in different economic categories that assumed the task of commodity circulation to develop to different degrees. The development of collective and individual economies has been especially outstanding. The province's organizations (including commerce and catering and service trades, the same hereinafter), under the collective ownership economy, increased 7.2-fold from 890 to 1978 to more than 7,300, and the number of people engaged in these businesses increased 10-fold from 6,500 to 72,000. Vendor stands under the individual ownership economy developed from nothing to more than 31,600 and the number of people engaged in these businesses developed to more than 42,000 people. In the same period, organizations of the economy of ownership by the entire people increased 16.8 percent from more than 29,600 to more than 34,600, and the people engaged in these businesses increased 17.9 percent from more than 237,000 to more than 279,000. Because the development of the economy of the entire people, there was also a change in the proportion increased from 2.8 percent to 29 percent in collective and individual economies and decreased from 97.2 percent to 71 percent in the economy of the entire people.

With the changes in the composition of organizations and personnel, corresponding changes have also occurred in the proportion of each type of ownership system for the total amount of retail of social goods. The amount of retail of collective and individual economies increased 4.1-fold from more than 140 million yuan in 1978 to more than 700 million yuan in 1982, and the share this constitutes rose from 3.5 percent to 12.8 percent. In 4 years, the total retail sales of the economy of the entire people increased 27.7 percent and its share of the total decreased from 90.5 percent to 87.2 percent.

## 2. There Has Been a Rise in the Proportion of Industries Outside of Commerce and a Decrease in the Proportion of Commercial Industries.

Since the market was stimulated, the situation has arisen of every sort of industry engaging in business, and there has been a speedy development in the number of different industries outside of commerce that participate in commodity circulation activities. Compared to 1978, in 1982 the province's commercial organizations alone have increased 49.7 percent, and the catering and service industries have increased 4.6-fold and 6.1-fold respectively. Throughout the province, in 4 years the number of all types of hotels and snack bars increased by 8,426, the number of restaurants increased by 362, barbershops increased by 635, picture-taking booths increased by 644, other service industries increased by 3,065 and businesses engaged in the repair of consumer goods increased by 3,160. Due to the quick development of organizations in the catering and service industries, their proportion of the total number of organizations has risen from 7.1 percent to 24.3 percent and the proportion of commercial organizations has decreased from 92.9 percent to 75.7 percent. Further, the self-marketing industry of the province's industrial enterprises has quickly expanded. Not only has the self-marketing of light and textiles industries risen, but the self-marketing of heavy industry, the war industry and other industries has also developed quickly. In 4 years, the retail sales departments attached to industrial departments increased by 121, or 1.1-fold. The retail sales departments attached to agricultural-industrial-commercial joint enterprises increased from 0 to 50. The number of retail sales departments attached to other departments has increased by 186, a 1.8-fold increase.

In regard to the situation of the retail of commodity goods by different industries, the increase in total retail sales of catering trade, industry and other businesses has been much quicker than the increase by commerce. In 4 years, the province's commercial retail sales increased 35.7 percent, the retail sales of catering trade have increased 76.4 percent, industrial retail sales have increased 76 percent and the retail sales of other industries have increased 1.9-fold. The proportion of the total amount of retail sales of social goods held by the catering trade, industry and other businesses rose from 10.6 percent to 14.5 percent and the proportion of commerce decreased from 80.4 percent to 85.5 percent.

## 3. The Proportion in the Cities Has Increased and the Proportion in the Countryside Has Decreased.

With the development of industrial and agricultural production, during equally large developments in the economies of urban and rural markets, the changes in

urban markets have been especially great. Compared to the countryside, the cities have demonstrated their superiority as political, economic and cultural centers. In 1982, Shanxi's 7 cities had a total of more than 14,500 commercial, catering and service organizations, an increase of more than 8,700 organizations, or 150 percent, and their share of the total number of organizations increased from 11 percent to 16.2 percent of the total. The province's counties and villages below the county level had a total of more than 75,300 organizations, an increase of 25,000, or 59.2 percent, compared to 1978, and their share of the total number of organizations dropped from 71.3 percent to 67.3 percent.

Concerning the retail sales of social goods in the city and countryside, the increase in the city was also quicker than in the countryside. In 1982, the total volume of retail sales of social goods in the province's 7 cities in 1982 exceeded 1.94 billion yuan, a 61.4 percent increase compared to 1978. Their share of the province's total volume of retail sales of social goods rose from 28.7 percent to 32.7 percent. The total volume of retail sales of social goods in provincial counties and towns below the county level amounted to 4 billion yuan, a 33.4 percent increase. Their share of the province's total volume of retail sales of social goods decreased from 71.3 percent to 67.3 percent.

#### 4. The Proportion of Retail Commercial Organizations Rose and the Proportion of Other Management and Administrative Organizations Dropped.

In the last few years, in accord with the policy of reducing commodity circulation links, we have carried out a rational readjustment for commodity circulation links and have caused great increases in the number of retail organizations. Up until 1982, the province had more than 56,300 retail commercial organizations, an increase of more than 20,900, or 59.2 percent, compared to 1979. Their share of the province's total number of commercial organizations rose from 75 percent to 82.8 percent. In 1982, the province had more than 11,700 organizations for the wholesale sales of industrial goods, for the purchase of agricultural and sideline products, for storage, transportation and for enterprise management, basically the same as in 1979, and their share of the province's total number of commercial organizations decreased from 25 percent to 17.2 percent.

There were increases in the amount of all types of retail commercial organizations. Compared to 1979, in 1982, the number of Shanxi's grain and cooking-oil stores increased by 104, provisions and grocery stores increased by 164, comprehensive department and fabric stores increased by more than 15,200, hardware stores increased by 254, drug stores increased by 118, book stores increased by 178 and the number of stores selling agricultural produce increased by 77.

#### 5. The Proportion of Purchases and Sales by Negotiated Price Increased and the Proportion of Sales by List Price Decreased.

Since the Third Plenum of the 11th CPC Central Committee, we have changed the practice of having the same prices for buying and selling commodities as the

state's list prices. We have adopted many different prices according to the level of value and have caused the pricing policy to begin to be a somewhat flexible within a certain limit. Starting in 1979, the state, to a large degree, raised the list purchasing price for agricultural and sideline products and expanded the scale for exceeding the purchasing price. In 1982, Shanxi's purchases of agricultural and sideline products totaled 150 million yuan, an 8.5-fold increase compared to more than 15 million in 1978. This share of the province's total purchases of agricultural and sideline products by commercial departments increased from 1.9 percent to 8.9 percent. Agricultural and sideline products purchased with price increases added over an extended period exceeded 368 million yuan, an increase of more than 300 million yuan, a 4.7-fold increase compared to 1978. The province's share of the total purchases of agricultural produce and sideline products rose from 7.7 percent to 21.6 percent. In 4 years, although the purchases by list price also increased 54.0 percent, yet because this increase was clearly slower than the rate of increase of negotiated-price and excessive-price purchases, the share of total purchases by list price dropped from 90.4 percent to 69.5 percent.

The proportion of sales of grain and oil by negotiated price has also risen quickly. In 1982, Shanxi's sales by negotiated price exceeded 782 million jin, a fourfold increase compared to a total of more than 157 million jin in 1978. The share of all grain and oil sales that this constitutes has risen from 5.7 percent to 18.8 percent. Negotiated sales of grain and oil has just started in the past few years. In 1982, Shanxi's sales of grain and oil by negotiated price exceeded 20 million yuan, and this constitutes 20 percent of all sales of grain and oil.

#### 6. We Have Expanded Country Fair Trade and Other Supplementary Channels.

In 4 years, we have greatly renewed and developed the province's country fair trade and other supplementary channels for commodity circulation. The number of Shanxi's country fair trade outlets has increased from 303 to 711. Not only are there more, but they are on a larger scale. Not only has the number of country fair trade outlets in the countryside increased to 604, but the number of markets in the city for agricultural produce and sideline products has quickly developed to 103. In 1982, the volume of business through country fair trade in Shanxi exceeded 430 million yuan, a 5.2-fold increase and an increase of more than 360 million yuan compared to 1978. The volume of business in grain, cooking oil, fresh vegetables, eggs, aquatic products, fresh fruit and dried fruit and other important agricultural produce and sideline products has increased greatly. At the same time, each area of the province has held an exhibition for all sorts of products and has convened ancient temple fairs, old bicycle exchanges, night markets, etc., and has allowed peasants to engage in the trafficking of agricultural produce and sideline products. The expansion of these supplementary channels has played an equally positive role toward stimulating the market and satisfying the production and standard of living needs of people in the city and the countryside.

The changes in the aforementioned six points make clear that since the Third Plenum of the 11th CPC Central Committee, Shanxi's market structure has undergone a definite readjustment, and the changes in the market structure have given rise to a brisk market economy.

## II.

In regard to Shanxi's present situation, there are still a few problems that must be solved in market structure, and these problems can be summarized in the following five points.

### 1. The Scale of Market Development Is Not Suited to the Scale of the Development of the Economy and the Population.

The development of Shanxi's commerce is the same as other industries; it has taken the tortuous road from "high tides to low tides to reductions to rises." During the First 5-Year Plan, the network outlets of all types of commercial, catering and trade industries at the highest point developed to more than 122,000. According to the calculation of there being more than 14 million people at the time, each 1,000 residents had 8.6 network outlets, or that is to say that there was one network outlet per 117 people. During the 3 years of difficulty, the number of commercial organizations was sharply reduced, and in 1962 there were only 21,000 network outlets in the entire province, only 1.2 outlets per 1,000 residents. This figure later rose a little, but during the cultural revolution the number of the province's network outlets fluctuated around approximately 25,000, and this figure did not increase. In 1978, Shanxi had only 30,500 network outlets. In the 4 years since the Third Plenum of the 11th CPC Central Committee, the number of the province's network outlets has risen by more than 40,000, an average yearly increase of 10,000. The rate of increase is indeed fast enough. Yet due to many bills that have been outstanding for a long time, up until the present time, the scale of installation of network outlets is still not suited to the scale of development of both the economy and the population. In more than 30 years, gross industrial and agricultural output has doubled and redoubled and population will have nearly quadrupled, yet the number of commercial, catering and service outlets has not increased and has not even reached the highest level ever. Thus, problems in the standard of living of the people, such as waiting in long lines to go shopping and having trouble with eating well, getting haircuts, washing, repair and making clothes, have still not been completely solved.

### 2. The Development of Commercial Retail Outlets in Shanxi Has Fallen Behind Development in the Rest of the Country.

Although we have said that in the past few years the collective and individual ownership economies in Shanxi's market have developed by leaps and bounds, yet compared to the entire country and neighboring provinces, the rate of development in Shanxi cannot be called quick and the volume cannot be considered large. Taking the situation in 1981 as an example, in the entire country there were two commercial retail outlets per 1,000 people, there is an average of 2.8 per 1,000 in neighboring Hebei Province, 2.6 per 1,000 in Shandong, 3.0 in

Henan, but only 1.87 per 1,000 in Shanxi. For example, according to the level in Henan Province, Shanxi should have 74,500 retail outlets, thus it lacks 27,400. Some people say that there are already enough collective and individual network outlets and that we should not develop more because otherwise there would be too many. Some people even say that we already have too many. From the viewpoint of the entire country, we can tell that this type of view is a "leftist" phenomenon. Concerning the nation's commercial personnel, collective ownership personnel constitute 17.8 percent and individual ownership personnel constitute 7.8 percent. In Shanxi, however, collective ownership personnel only constitute 10.3 percent of the total and individual ownership personnel constitute merely 3.4 percent. This pales in comparison to Hebei, Shandong and Henan where the number of personnel engaged in individual ownership constitutes 15.4, 14.5 and 11.3 percent, respectively.

### 3. The Development of Rural Commercial, Catering and Service Industries Has Been Slow, They Are Not Balanced Between Regions and the Distribution Is Irrational.

In distinguishing between the city and the countryside, currently, the development of markets in Shanxi's cities is quicker than in the country. Because the installation of commerce in the countryside is insufficient, the number of peasants going to the cities to make purchases is increasing, not decreasing. A significant amount of the purchasing power of peasants is being realized by turning to the cities. Last year, the volume of commodity retail sales below the county level increased only 2.7 percent, but in Shanxi's 7 cities it increased 10.5 percent and increased 8.8 percent in more than 100 county-level cities. It is obvious that the rate of development in villages below the county level is too low. From the viewpoint of mainly assigning responsibility to the supply and marketing cooperative system of rural commerce, 31 percent of the province's cooperatives do not yet have organizations for purchasing agricultural produce and sideline products, 12 percent do not yet have stores for agricultural produce and sideline products and 11 percent do not have stores supplying the means for agricultural production. From the viewpoint of each region, there seems to be little rural commerce in Xinxian, Luliang and Yanbei Prefecture. There were more than 3,900 retail commercial establishments (including purchasing and marketing agents) below the county level in Xinxian, and this constitutes only 79.9 percent of the region's 4,969 production brigades; approximately 1,000 production brigades are without commercial outlets. This pales in comparison to the average of two commercial outlets per production brigade in the Yuncheng region. In the cities, the problem of an irrational distribution of retail outlets still exists and units engaging in business want to be crowded in the commercial centers in the busy districts of cities. Commercial outlets, however, have not yet been built on the fringes of cities, in suburbs, mining areas and in newly built residential areas and even in a few major streets in cities. The production and standard of living of many residents are inconvenienced.

### 4. The Quality of Those Engaged in Business Is Substandard, and This Is Manifest in New Recruits Being Inexperienced and in the Aging Businessmen Being a Burden.

This problem is ardently reflected in the broad masses of people, especially in the young comrades, who have participated in work in the past few years. Because they lack the necessary business training, the quality of their commercial work is substandard. Some are people who are resolved to do good work but whose ability does not meet their ambition. Many store clerks are at a loss for words in response to people's questions about the quality, use and storage of goods, nor are they well versed regarding such questions as management and sales knowledge and courtesy in treating customers. Further, because they lack the necessary education, certain comrades are questionable in money matters, and such unhealthy tendencies arise as stealing, lifting, eating and carrying off goods. Thus, it is of the utmost importance to strengthen the training of new recruits; this is a key link for raising the quality of commercial service. At the same time, in a few enterprises, especially in the old collective catering and service businesses, the problem of aging personnel will also become prominent. In some units, four, three, two or even one person will support a retired worker or sickly personnel. This directly effects the business gains and service results of enterprises.

#### 5. Socialist Unified Markets Lack Unified Management Departments and a Scientific Guiding Plan.

Each industry just wants to do business, who wants to unify management? Currently, industrial and commercial administrative departments have been given approval to manage, but who will manage problems in the specific work? It is not yet clear, but the present situation is: state-run manages state-run and old collective; work service companies manage new collective businesses; industrial and commercial offices manage individual businesses; and self-marketing are managed by responsible departments. This way, the situation will often appear of commodity management being uncoordinated and blind. Everyone is willing and does indeed manage high-quality goods and moneymaking goods, this causes disaster for network outlets on flourishing streets while many areas are not attended to by anybody. Due to the lack of a unified coordinating department, a chaotic phenomenon has taken place in the prices of goods, the use of funds and in financial management. Moreover, planning departments still only pay attention to the planning and management of commerce of ownership by the entire people and have ignored the planned guidance of management business of collective and individual economies. This is also a fundamental reason that such problems appear on the market as goods being out of stock, unmarketable and overstocked.

### III.

In order to cause Shanxi's market structure as quickly as possible to be suited to the development of the economy of the entire people and to society, we have given full play to the important effect of commercial work on the national economy. We feel that we currently must pay attention to accomplishing the following work.

#### 1. We Must Continue To Readjust Market Structure and Earnestly Do a Good Job at the Construction of Network Outlets.

Currently, we must dispel the feelings of certain people that the number of retail outlets is sufficient and that collective and individual economies do not need to be further developed. It is a fact that in the past few years the number of network outlets has increased greatly and that there have been great changes in collective and individual economies. Yet this has not reached the level that demand requires. In short, we must do a tremendous amount of work in this respect. Based on the demands of Premier Zhao Ziyang in the "Report on the Sixth 5-Year Plan," in 1985 there should be an average of 4.3 retail commercial, catering and service industry outlets per 1,000 people. In 1982, Shanxi had 3.0 per 1,000 people. If it is to achieve the national level, in the 3 years from 1983 to 1985, Shanxi must increase the number of outlets by 35,300, or an average increase of 11,770 per year. How are we going to achieve this goal? There are two points we should think about in deciding this.

First, we must continue to give free rein to developing collective and individual commerce and the catering and service trades. We must continue to truly give the green light not only in words but also in actions for developing individual and collective economies. We must be supportive in approving measures, sites, funds, the source of goods, prices and in other respects. The state recently indicated that the proportion of state retail sales must be readjusted from 80 percent to 60 percent and that the city catering trade must maintain its rate at 30 percent. The countryside, excluding supply and marketing cooperatives, must basically be managed by collectives and individuals. We must enthusiastically implement this policy and treat the positive development of collective and individual retail commerce and catering and service trades as the fundamental guiding ideology for the future readjustment of market structure. Second, under the circumstances of developing both urban and rural markets, we must pay particular attention to developing the economy of Shanxi's rural markets. Shanxi is an old revolutionary area; in the past few years there have been large changes in development of agricultural production, yet, the market has not kept pace accordingly, and this is manifest in the sending of industrial products to the countryside and in the buying and selling of agricultural produce and sideline products. Thus, the situation has arisen in many villages of "difficulties in buying and selling." This situation must be changed as quickly as possible, otherwise, the enthusiasm for production by commune members will be influenced to a certain extent and the development of the rural economy will be hindered. We suggest that through strengthening the rural market we should attain the following level: each natural village at the least must have a retail commercial outlet and each commune at the least must have a store for purchasing agricultural produce and sideline products and a store for supplying the agricultural means of production.

## 2. We must Further Stimulate State-Run Commerce and the Catering and Service Trades and Must Complete Work in Systematic Reform.

An economy of ownership by the entire people is the main part of the market; no matter how it is readjusted, it must not change the superior position which it has seized. Thus, we must continually explore, readjust and restructure the manner in which state-run commerce and the catering and service trades are stimulated in the future and how they open up new situations. We feel that we must stress and study the following in regard to stimulating the economy of ownership by the entire people. (1) The development of network outlets must

not merely depend on an increased number of personnel to increase. Under the circumstances of changes in personnel being small, whether or not we can change the large for the medium and small depends on carrying out an appropriate re-adjustment of the past method of seeking the large, foreign and complete organizations which do not suit society's demands. At the same time we must give support to the areas in which state-run commerce is currently weak. (2) We must establish and perfect the management contract system of responsibility for state-run commerce and the catering and service trades. We must break through the "iron rice bowl," establish a strict system of rewards and punishments and competently manage the relationships between society, the state, the collective and the individual. (3) We must do a good job in the systematic reform of supply and marketing cooperatives. Through systematic reform, we must truly cause supply and marketing cooperatives to have an important and appropriate effect in expanding the development of the rural economy. We must cause supply and marketing cooperatives to truly change the commerce of the peasants themselves.

### 3. We Must Strengthen the Training of Personnel Engaged in Business and Strengthen Work in the Unified Management of the Market.

We must change the problems of the substandard quality of service of people engaged in business and the problem of inferior market management and we must adopt definite organizational measures. (1) By groups and in stages we must organize all management personnel (including the economy of the entire people and collective and individual economies) to engage in study of business knowledge and economic theory and we must stress the training of personnel above the level of store manager. (2) We must as quickly as possible take care of the retirement measures for workers who must retire and personnel engaged in second- and third-line work and solve the problems of aging workers in a few units. A pressing matter is that we must carry out a consolidation for collective and individual commerce with chaotic prices and must study the management methods for setting realistic and feasible prices for individual commerce. (4) In order to correctly and promptly understand the circumstances of the economic activities of society's market, within a short period of time we must at all levels establish a system of accounting and statistics report forms for collective and individual commerce and the catering and service trades. (5) Economic commissions and planning departments at all levels after stimulating the market must complete work in unified management. Under the circumstances of the proportion of collective and individual economies becoming greater and greater, the state must assign or establish an organizing body for coordinating the market which is specifically responsible for a balanced market in all respects. We must carry out planned guidance for collective and individual organizations not under planned management. This will assure a rational market structure and is an objective demand and the only road to take for balancing the supply and demand of goods.

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## FOREIGN TRADE AND INVESTMENT

### EFFECTS OF FOREIGN INVESTMENT IN GUANGZHOU DESCRIBED

Guangzhou YANGCHENG WANBAO in Chinese 16 May 84 p 1

[Article: "Guangdong: People are Taking Note"]

[Excerpts] The New China News Agency broadcast that its reporter Yang Jisheng [2799 4949 4939] had sent a report on the activities of Guangdong's delegation in Beijing.

His communication said that this congress was concentrating on discussing the problems of economic restructuring and opening up to foreign investment. Because Guangdong is a province that opened up to foreign investment rather early and because it has had fairly good results, everyone looks forward to hearing about Guangdong's experience. Shenzhen is the nation's first special economic zone, and now 14 coastal cities want to open up further and adopt certain policies of the special zone and so these people look forward to hearing about the experience of Shenzhen even more.

Everyone has their eyes on Guangdong and puts their hopes on it. A comrade in the Guangdong delegation said: "We feel a very heavy responsibility and after we return we certainly want all of Guangdong's 60 million people to have this sense of responsibility."

Today the RENMIN RIBAO published an interview by its reporter Di Qiyun [5049 0796 6663] written after visiting with Guangdong delegate and secretary of the Guangzhou party committee, Xu Shijie [6079 1102 2638].

When Xu Shijie received the reporter, he said "Restructuring is a prerequisite to opening up to foreign investment, and if you do not restructure the economic system, then there is no assurance for opening up to the foreign investment."

Guangzhou is close to Hong Kong and Macao, with developed land and sea communications and so has special advantages for carrying out a opening up to foreign investment. In recent years, Guangzhou has used these advantageous conditions to engage in cooperative businesses, joint-capital businesses, the processing of materials brought in, compensation trade, etc, which have played an important role in allowing Guangzhou's economy to take off. In March of this year, the Central Committee decided to make Guangzhou one of 14 coastal cities opened to foreign investment, and this major decision for developing the economy will

further speed up the pace of development for Guangzhou. After the Central Committee decided to make Guangzhou one of the 14 coastal cities opened to foreign investment, the city party committee and city government immediately overcame "red tape" to the greatest extent that they possibly could, and smashed the various conventions that blocked opening to foreign investment according to the principle of "special zones use special methods, new undertakings use new methods; this position will not change, and methods have been made anew," and thus carried out an opening of Guangzhou to foreign investment and created the conditions for pulling in investment by foreign businesses.

Xu Shijie said that in addition to our carrying out the restructuring of the economic system in implementing a policy of further opening to foreign investment, we should also carry out restructuring on certain problems that involve central government or provincial economic management. Take problems concerning posts and telecommunications, for example. Our communication equipment is extremely backward, and when businesses concerned with foreign trade place a phone call, they take more than 1 hour or do not go through at all. Originally, the city of Guangzhou considered solving this problem jointly with foreign businesses, but the authority needed to solve this problem resides with the Ministry of Posts and Communications, and so they were powerless. Other areas such as communications and transportation, banking, foreign trade, etc, should all have corresponding guiding principles in regard to the 14 coastal cities that are to be opened up to foreign investment, and the management systems should be subject to the necessary restructuring in order to meet the needs of opening to foreign investment.

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## FOREIGN TRADE AND INVESTMENT

### INVESTMENTS OF GUANGDONG OVERSEAS CHINESE INVESTMENT CORP

Guangdong YANGCHENG WANBAO in Chinese 18 May 84 p 1

[Article by correspondent Ling Kunxiang [0407 2492 4382] and reporter Luo Wenjin [5012 2429 6930]]

[Text] In the first 4 months of this year, the Guangdong Overseas Chinese Investment Corp signed agreements for four cooperative projects with foreign businesses for residential furniture and decorations, sweet chrysanthemum extract, stainless steel utensils and a seaside hotel. Up until now, the corporation has already handled 39 foreign capital businesses, introduced total investment capital of \$110 million and is one of the top work units with the most obvious accomplishments in introducing foreign capital.

These cooperative projects include what is currently the largest dairy farm and sophisticated milk-product processing plant in the country, a large-scale hog farm, the largest chicken farm in Asia, the largest chicken and duck farms in the province, a Western-style meat-processing plant, a sophisticated electronics plant and container plant, an automobile repair shop, a large-scale furniture plant and also the nation's only oil palm farm and large-sized sweet chrysanthemum field. And within the Shenzhen Special Economic Zone's Shahe Industrial area they are going to construct the Shenzhen Bay Tourist Center, the best in the country.

At present, most of these overseas Chinese and Chinese cooperative enterprises with nine countries and areas such as the United States, Japan, England, the Philippines and Hong Kong have already been completed and put into production, and have begun to bring economic results. The Guangming Dairy Farm already has over 4,000 head of stout, strong dairy cattle, and the high-quality pure, fresh milk that it transports to Hong Kong and sells is 80 percent of Hong Kong's fresh milk market. The Guangming Overseas Chinese Food Plant is now already able to produce sausage, smoked meats, ham, meat stew and over 60 other kinds of American and European style meat products and in addition to exporting large quantities, they still supply the large hotels of Beijing, Tianjin, Shanghai and Guangzhou. In the first quarter of this year, the Dawang Overseas Chinese Container Plant accepted orders for 7,000 containers, 60 percent greater than the last year's entire output.

At the same time that we liberalized guiding principles toward foreign investment we also vitalized the overseas Chinese farming economy. Before 1980, the

province's overseas Chinese farms ran a deficit of over 10 million yuan a year, and in 1981 for the first time they had a profit of 1.28 million yuan. Last year the profit was 16.8 million yuan, and moreover, they created a great deal of foreign exchange for the nation.

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FOREIGN TRADE AND INVESTMENT

COMPUTER DEVELOPMENT, TRADING CORP ESTABLISHED

Guangzhou YANGCHENG WANBAO in Chinese 16 Jun 84 p 1

[Article by Lu Yusheng [7120 1342 5110] and Wang Jingqin [1129 6975 2953]]

[Text] Yesterday a computer business set up with joint capital from Guangdong's leading company and a foreign business company--The New China Computer Development and Trading Corp--held its opening ceremony at Haikou. Wang Yuefeng, deputy secretary of the Hainan area party committee, and Zhang Jintao [4545 6930 3447], member of the area party standing committee, and others attended the opening ceremonies and cut the ribbons.

The New China Computer Development and Trading Corp was set up with joint capital from Haikou's Electronics Industrial Co and a company managed by Mr Peng [1756] of New Zealand primarily to develop and produce computers. The company will introduce an advanced foreign computer production line, produce 8- and 16-bit microcomputer systems and various hard disks, Chinese character terminals and other computer peripheral equipment, and will at the same time produce and manage the world's [most] advanced computers and electronic equipment and various kinds of electronic elements, and will continue to make arrangements for various kinds of computer engineering and also begin computer training classes in order to train computer technology talent both within and outside the island. At present this company has already introduced two production lines for 8- and 16-bit computers.

The company's joint capital period is limited to 10 years. According to the agreement, the Chinese side will furnish plant space and labor and will organize production, and the foreign side will furnish equipment, raw materials, prototypes and technological capability. In order to raise the computer technology level of the company's workers, the company will invite foreign and domestic computer specialists, professors and technical personnel to give classes for a set period of time, and will continuously expand cooperation with various foreign and domestic computer research institutes and institutions of higher learning, and constantly raise the competitive capability of the products and strive to resell the products outside the country within 2 years.

This company's director is Wang Daxian [3769 1129 6343], deputy mayor of Haikou, and the general manager is Peng Zhoulong [1756 3166 7893], a representative of Mr Peng's New Zealand company.

## FOREIGN TRADE AND INVESTMENT

### MEASURES TO ELIMINATE BUREAUCRATISM DESCRIBED

Guangzhou YANGCHENG WANBAO in Chinese 10 Apr 84 p 1

[Article by Huang Liren [7806 4539 0086]: "We Must Not Merely Have 'Thunder' But 'Rain' as Well"]

[Text] This morning at a meeting of the party committee secretaries and managers of companies under the bureau and bureau organ office-level cadres, Feng Xueyan, bureau chief of the provincial foreign trade bureau, appealed for staff and workers throughout the entire system to expose bureaucratic work styles among leading party group members. This was a decision made after the bureau's leading party group read the reports and editorial comments carried in the day before yesterday's RENMIN RIBAO on the "Cured Tobacco Leaf Swindle Case."

Yesterday the bureau's leading party group members contrasted the reports and editorials carried in the RENMIN RIBAO with an examination of their own work, and realized that in the "Tobacco Leaf Swindle Case," bureaucratism provided the opportunity which the criminals took advantage of, and thus created major economic and political losses for the nation and they felt that the bureau's leading party group has a responsibility in this that they cannot refuse. In order to eliminate the unhealthy trend of bureaucratism, the bureau's leading party group decided to mobilize the whole system's staff and workers to boldly expose bureaucratism and moreover, it adopted the following actions:

--get a good handle on ferreting out the recently exposed "consignment for sale on commission of leaf tobacco" by local product import-export companies and the demand for bribes and acceptance of bribes by certain businessmen of light industry import-export companies and other cases, and they should uniformly deal with those people connected with the cases according to the severity of the circumstances;

--carry out a thorough sorting out of documents that are currently in the pipeline and layer upon layer of written memorandum, and get a good handle on those things which should be done but which have not yet been done: reduce the number of meetings and documents. The leading party group members and office leadership should leave the organs and go down to the grassroots to investigate, study and settle the problems;

--set up a system of personal responsibility for each department, section and office and down to each individual worker and plug up the loopholes in the management system;

--and fourth, using the "Tobacco Leaf Swindle Case" as a negative example, continue to develop anticorruption education throughout the entire system and reaffirm foreign trade work discipline. Any person who discovers that a foreign trade worker has violated this discipline may expose it directly to the leading party groups of the provincial foreign trade bureau, and once substantiated, it will be dealt with severely. Those personnel who neglect their duties or commit malfeasance will be dealt with according to party discipline and national law, and definitely not be tolerated.

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## FOREIGN TRADE AND INVESTMENT

### SUPPORT OF XIAMEN SPECIAL ECONOMIC ZONE URGED

Fuzhou FUJIAN RIBAO in Chinese 3 Mar 84 p 1

[Report by the reporting group of the provincial foreign trade corporation: "The Provincial Foreign Trade Corporation Proposed Tentative Ideas About Supporting the Building of the Special Zone and Doing a Good Job of Foreign Trade Work"]

[Text] Recently, in integrating with the reality of our province's foreign trade work, the party organization of the provincial foreign trade corporation carried out a conscientious study and put forth tentative ideas about supporting the building of the Xiamen Special Economic Zone and doing a good job of our province's foreign trade work.

Within the scope permitted by the state policies and regulations, the party organization decided to launch forth agencies in the import and export business for Xiamen, provide export commodities for the special zone and provide news and commercial news and materials about the international market for the special zone and at the same time work hard to raise efficiency in work and run the special zone properly, conscientiously and responsibly. Our provincial foreign trade corporation has set up trade and administrative organs in key countries and regions abroad and has a relatively broad relationship with foreign businessmen and quite a few channels and other favorable factors. This corporation must "act as go-between" for the special zone and link up with and introduce foreign firms to set up factories in the Xiamen special zone or to set up joint enterprises in the special zone by adopting such forms as cooperation with foreign firms and joint ventures. We should exchange a portion of our market for technology and capital, import advanced technological facilities, set up production and processing industries that combine sales at home and abroad and accelerate the pace of the development of the Xiamen special zone.

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## FOREIGN TRADE AND INVESTMENT

### FORCES IN BUILDING NEW TECHNOLOGICAL ZONES DESCRIBED

Guangzhou GUANGZHOU RIBAO in Chinese 31 May 84 p 4

[Article by Chen Zhaobin [7115 5128 2430]: "Concentrate Forces on Building New Technological and Industrial Zones Well"]

[Text] The building of economic and technological development zones is a complex task as well as a new topic which Guangzhou faces in further implementing the policy of opening to the outside world and bringing into play the role of Guangzhou as the key city.

Presently, the economic and technological development zones are at the beginning stage. We must pay special attention to clarifying the goal of building development zones and clarifying some basic concepts, such as differences between the economic and technological development zones and the special economic zones. The development zones must make use of some special policies which apply to the special economic zones. However, running development zones is different from running special economic zones. In running economic and technological development zones, we mainly want to import high-level, newly rising industries and skilled personnel in order to promote the technological progress and industrial upgrading of the locality. We regard it as an important policy decision in accepting the challenge of the new technical revolution. In building economic and technological development zones in Guangzhou, we must concretely realize the above-mentioned needs of serving Guangzhou and accelerate the development of Guangzhou's modernization.

The scope, big or small, of the development zone must also be determined by the need to realize the above goal. Thus, I feel that a development zone does not necessarily have to be too big a setup. Rather, it should concentrate forces and funds on promoting the key projects. In functional administrative and service centers or according to comprehensive development and tourism. A new technological and industrial zone can also operate the necessary services and tourist facilities as well as the administrative organs and high-class residential quarters. For instance, the Shekou industrial zone in Shenzhen is mainly involved in importing advanced technological projects. However, it also does an outstanding job in commerce, tourism and residential housing. Shekou is not large in size. Yet it displays vitality in bringing in foreign investment and advanced technology and has won the attention of those at home and

abroad. In running economic and technological development zones in Guangzhou, we can consider concentrating the forces first on a relatively small area and running a new technological and industrial zone well. We must not disperse our forces in building comprehensive development zones or key zones. Also, we do not necessarily have to plan to build economic and technological development zones of a relatively large scale. If we concentrate on running an area well, we not only can get twice the result with half the effort but can also avoid many contradictions. In the future, when this area becomes consolidated, we can develop if further if necessary and it is entirely possible to expand the scope if we have the factors to do so. Some of our special economic zones have expanded their scope in precisely this manner.

In importing technological projects, Guangzhou should vigorously import such new technologies as the electronics industry, information systems and the newly rising materials industry. The importation of general projects can be carried out in the old urban areas and do not have to be listed as a task of the economic and technological development zones. Toward the coastal cities opening to the outside world, we can also implement certain favorable treatment in terms of foreign investment. In this way, Guangzhou will have more forces to strengthen vigorously the technological transformation of the old enterprises while having a clear goal about the economic and technological development zones, concentrating all forces on building these zones well and accelerating the pace of bringing their roles into play.

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## FOREIGN TRADE AND INVESTMENT

### PROBLEMS OF ECONOMIC, TECHNOLOGICAL DEVELOPMENT ZONES DISCUSSED

Guangzhou GUANGZHOU RIBAO in Chinese 31 May 84 p 4

[Article by Chen Jiwen [7115 4949 2429]: "We Must Consider Our Needs As Well As Find Out About Our Possibilities"]

[Text] The central authorities have already decided that the development zones are going to be economic and technological development zones. In this way, our orientation and goal are much clearer. We should plan our work in this direction.

In importing technology-intensive projects, we must pay attention to correcting two viewpoints: One is the belief that these technologies are unattainable and unfathomably mysterious. Even if this view has had its definite realistic basis in the past, it is inconsistent with the facts now. The other is the belief that these technologies cost too much and we do not have sufficient financial resources. This is correct if we are talking about the scientific research mode. However, this is incomplete or incorrect if we are talking about the applied technological mode.

To run the economic and technological development zones well, an important issue is how to strive for time. In order to establish the correct orientation right from the beginning, I feel that we can make plans and carry our investigations simultaneously. From now on, through all kinds of relationships, we can directly carry out talks with overseas Chinese and foreign businessmen in order to understand their interests, demands and worries. This will enable us to collect important news, which we will use as the basis for revising our plans. Will others be able to give us what we need? This is a question which we must consider right from the beginning. Possibility and need form the unity of contradictions. It will be more realistic to place possibility in front. If we announce too soon the projects which we have not sounded out among the foreign businessmen, we will then bind our own hands and feet and will check the enthusiasm of some investors.

These talks are talks at the earlier stage. At the same time, we must make a lot of preparations in order to obtain the expected results. We should have a detailed list of projects, such as microelectronics technology, bioengineering, telecommunications facilities and structural and functional materials.

which we estimate will be approved, so that we know what to expect regarding these projects. We should find out about the financial resources which we can utilize in the next few years on the infrastructures and the newly rising industries, so that we can figure out how great our potential is in coordinating with the investment by foreign businessmen. We should clarify the boundary of policy regarding the joint venture and cooperative management of the infrastructures, so that we can save some funds to be used in importing newly rising industries instead of spending too much capital in building the infrastructures. We should also study more profoundly our modes and methods of attracting foreign investment. At the same time, we should carry out necessary studies followed by talks at the earlier stage on the methods involving technological transfer, the operational mechanism of the limited-liability companies, such legal issues regarding controlled-stock purchase and mergers and the appearance of stocks on the market, financial management for all forms of capital investment (such as the leasing business) and all kinds of systems for carrying out feasibility analysis and synthesis evaluation and its procedures as well as the strategies, skills and methods of carrying out technological and economic talks. In this way, we can erect right from the beginning an image of freshness, high efficiency and progress.

In the planning and building of economic and technological development zones, we will no doubt encounter a lot of contradictions which seemingly will be difficult to solve. However, I still feel that if we start with the technology and knowledge-intensive advanced industries, some contradictions will actually be easy to resolve. By this, I do not mean not having the advanced processing and export technology with results as the key mode. On the contrary, it is probably more appropriate to take these technologies with results as the key mode or the pillar for attracting the intensive technologies. We may even obtain greater results. However, in guiding ideology, they should not form the main body, and, in actual imports, they should also not affect the key technological image of the economic and technological development zones.

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## FOREIGN TRADE AND INVESTMENT

### DEVELOPMENT OF GUANGZHOU ECONOMIC, TECHNOLOGICAL ZONES DISCUSSED

Guangzhou GUANGZHOU RIBAO in Chinese 31 May 84 p 4

[Article: "How To Build Guangzhou's Economic and Technological Development Zones -- a Comprehensive Discussion"]

[Text] In the last month or so, Guangzhou has organized discussions on several occasions concerning the issue of Guangzhou's economic and technological development zones and has invited specialists and scholars from all fields to give counsel accordingly. The following are some of their ideas.

#### I. The Purpose of Building Guangzhou's Economic and Technological Development Zones

The specialists hold that the building of Guangzhou's economic and technological development zones must embody the characteristics of Guangzhou and that the principle of development must be determined in light of the reality, needs and feasibility of Guangzhou's economic development. Some comrades hold that the present economic structure in Guangzhou required restructuring and the technological level urgently awaits improvement and that one of the most primary tasks is to transform the old enterprises. Guangzhou has the factors as well as the need to shoulder a considerable portion of the tasks of processing products, repairing facilities and servicing the daily needs of the South China Sea oil field. The development of new techniques, new technologies and new materials as well as the development of the new industries which ensue call for Guangzhou to develop science and technology rapidly. In importing foreign capital and technology to build the development zones, Guangzhou must give full consideration to the above tasks. Other comrades feel that the purpose of building the development zones should be to arm our industries with the latest scientific results, that is to say, the new technologies. The purpose of building development zones does not lie with one spot but with overall development, which will affect and bring along the backward industries, transform them into modernized industries and promote the economic development and technological upgrading of Guangzhou. The development zones must give play to the role of the "four windows" and gain a foothold in and render service to Guangzhou.

## II. The Types of Economic and Technological Development Zones in Guangzhou

Borrowing from experiences at home and abroad, the specialists proposed the following different ideas.

One idea holds that the most suitable mode for the economic and technological development zones in Guangzhou is a comprehensive one that develops all kinds of economic undertakings, including industry, agriculture, commerce and trade, monetary services and science, culture and education. The comrades who support this idea hold that our country has made tremendous achievements in just a few years in building the comprehensive Shenzhen Special Economic Zone. The results scored are unmatched by the previous industrial export zones. The Guangzhou economic and technological development zones should model themselves after the Shekou Industrial Zone in Shenzhen.

Another idea holds that the economic and technological development zones in Guangzhou should first follow the scientific and technological mode and should be a new scientific and technological industrial urban area on a small scale. It should have a university as the center and, with the close coordination of the university, a scientific research unit and an enterprise and carry out scientific and technological research with the development of applied technological research as the main body. In this way, we can promote the transformation of the economic structure and the technological upgrading of the entire city. In Guangzhou, there are several reputable institutions of higher learning, several hundred scientific research organizations and several tens of thousands of skilled teaching and scientific research personnel who are engaged in all kinds of professions. It is possible as well as full of potential to build development zones in the scientific and technological mode.

Still another idea holds that the economic and technological development zones in Guangzhou should be an integration of the comprehensive mode and the scientific and technological mode and should be developed into economic development zones of the scientific, technological and industrial mode with their own characteristics. They should take the development of research as the basis and develop new industries and develop foreign trade and so on and so forth. Some comrades hold that we can separately but simultaneously go for the comprehensive mode and the scientific and technological mode.

## III. The Selection of Locations for Guangzhou's Economic and Technological Development Zones

The specialists hold that the selection of locations is of great importance and must be investigated fully and studied conscientiously. The following are the three different ideas regarding the specific locations.

One idea holds that it is more suitable to select the Huangpu Ward as Guangzhou's economic and technological development zone. The Huangpu Ward is roughly 35 square km in size and is favorable for development. It has adequate water resources which are favorable for power generation and has water for industrial use. The Huangpu Harbor has piers where 35,000-ton liners can embark and has relatively convenient water and land communications and transportation. Its present industry is relatively advanced.

Another idea advocates the selection of the 6 square km of land on the north bank of the Zhu Jiang, which has the following boundaries: Yangji Village to the west, Tan Village to the east and the present No 23 vehicular highway to the north. It is favorable for the building of an integrated body of scientific research and technological development that closely combines the university, the scientific research unit and the enterprise. It can make use of the area outside of the zone to build the Wuyang New Town and such infrastructures as sports and tourists centers, and it can cut down on the investment in capital construction and economize on land use for scientific research and production. It is near the urban area and has relatively convenient water, land and air transportation.

Still another idea holds that the comprehensive development zone should be built at Huangpu, while the scientific and technological development zone should be built in the southern part of Hua County or the southwestern part of Conghua County, the more suitable location being one near the airport. Because the scientific and technological development zone takes newly rising industries as the key, higher demands are made on environmental factors and water resources. Communications and transportation should be "air-oriented." In this way, we can provide the basic factors for developing newly rising industries.

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FOREIGN TRADE AND INVESTMENT

BRIEFS

GUANGZHOU CUSTOMS RULING--Yesterday a spokesman for the Guangzhou Customs announced that beginning 1 July of this year, there will be new regulations on duty refunding. For all goods that customs regulations permit reduction or remission of import taxes but which were not given tax reduction or remission because procedures were not properly handled, if the concerned work unit desires a refund, they must handle it within 3 months after the goods are imported and also pay service fee. In recent years, the PRC General Customs Office, in accordance with the spirit of the concerned guiding principles of the CPC Central Committee and the State Council, has continuously formulated and carried out certain special methods for reducing and remitting taxes. For example, scientific and educational articles, equipment for technological transformation and imported goods required by Chinese-foreign joint-capital and Chinese-foreign cooperative business projects, etc, were granted reduced import taxes, but the concerned work unit was supposed to properly handle the procedures for reduced or remitted taxes with the customs office before the said article was imported. But some work units did not handle the procedures properly before the fact, and asked for reduced taxes after the fact, thus adding inconvenience to the concerned departments and affecting work efficiency. Because of this the General Customs Office has stipulated that beginning 1 July 1984, the nation's customs offices will implement new regulations on duty refund, and all those who desire them are limited to handling them within 3 months after the goods are imported, and the service fee for each refund item shall be 50 yuan. [Text] Guangzhou YANGCHENG WANBAO in Chinese 17 Jun 84 p 1] 12452

GUANGDA'S FIVE PROJECTS--The Central People's Broadcast Tower broadcast this morning: According to a reporter of HUASHENG BAO, the chairman of the board of directors of the Guangda Industrial Co, Wang Guangying [1129 0342 5391] recently came to Beijing to attend the second session of the Sixth Congress of the CPPCC and agreed upon five projects with the concerned quarters: one was an agreement with Taiwan Guild Association head Lin Liyum [2651 7787 7291] to build a 50-story "Tougyi Highrise" to be located in Beijing's Daiyao. It is expected that the building will be built with a lovely glass enclosure to house a restaurant. The lower floors of the building will be a Taiwan Provincial Guild Hall. A second project is to extend the Beijing subway from Nan Lishi Road Station to Minhau's Xidan. The construction method will not be the open construction method, but will adopt underground excavation. If it proceeds smoothly, they will extend the subway further eastward to Tian'anmen, Wangfujing and other points. Third is an agreement with concerned departments of Beijing City to

make 500 Guangda taxis and taxi stands, and to attempt to complete the job by 1 October this year. Fourth is to rebuild a 300-room nationality-style hotel at the site of the "Na Family Garden" of the Heping Guesthouse and it has already carried out a comparative study of design plans with Zhang Baifa [1728 4102 4099] and other authorities in the field of architecture. Fifth is an agreement with Mayor Chen Xitong to renovate the Dongfeng Market and also prepare to restore the eateries behind the large new Commerce Building which serve traditional Beijing style food such as fried liver and stir-fried pork belly. [Text] [Cuangzhou YANGCHENG WANBAO in Chinese 2 Jun 84 p 3] 12452

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## LABOR AND WAGES

### GUANGDONG ENTERPRISES STUDY EXPERIENCES OF SHENZHEN

Guangzhou YANGCHENG WANBAO in Chinese 11 Apr 84 p 1

[Article: "Guangdong Provincial Government Decides That Various Prefectures Can Select Some Enterprises To Study and Promote the Experiences of the Shenzhen Special Economic Zone"]

[Text] The Guangdong provincial government recently decided that each city and prefecture of the province may select several enterprises as pilot projects, according to actual local conditions, and learn from and extend the restructuring experience of the Shenzhen Special Economic Zone in the areas of personnel systems and labor wage systems.

In studying and extending the restructuring experience of Shenzhen, the primary contents should be:

--Actively reorganize the enterprise's personnel system. Select enterprises that have undergone restructuring to carry out the democratic election of the plant head, and after investigation by the upper-level department responsible for the work and the organizational department, then have him assume office. As long as he is not one of the "three kinds of people" or does not have severe problems, the upper-level concerned departments should respect the results of the election by the staff and workers of the enterprise and at the same time allow the plant head to select his assistants and later report it to the concerned upper-level departments to enter the results into the records and have him assume office. The enterprise has the authority to decide the appointment and removal of middle-level cadres, the plant's internal organizational plan and the number of personnel, and it has the authority to decide management policy, production supply and marketing plans, and to reorganize the labor organization and wage distribution systems. Each city and prefecture may also select several enterprises to carry out, on a trial basis, the system of plant head (manager) taking responsibility and, at the same time, of enterprise cadres being selected and hired on a contract, implementing floating duties and working toward being ready to work at both the top and at the grassroots, and being ready to "manage" and to "work."

--County-managed state industrial enterprises should open up management and may carry out ownership by the whole people, collective management, state tax collection and taking on themselves the responsibility for profits and losses.

Small-scale enterprises may implement the linkage of labor payment and the turning in of profits, with labor payment having no set maximum and no guaranteed minimum; but increases in wages and bonuses may not surpass the labor productivity rate or the rate of increase for taxes and profits, and may not go beyond amount of wages contained in the work unit's production costs.

--Actively promote the floating wage system, making a set proportion of the base wage and the bonus the floating wage and paying out in accordance with the quality of enterprise management and the size of the individual's contribution. Gradually set up wage systems and allowance systems for staff and workers for the enterprises's leading cadres and for the management personnel. and combine it with the appointment and dismissal of cadres.

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## TRANSPORTATION

### BRIEFS

HEILONGJIANG'S HARBIN RAILWAY BUREAU--Since the founding of the PRC, the Harbin Railway Bureau in Heilongjiang Province has experienced rapid developments in transportation. The transportation mileage of the bureau in 1950 was 4,394 km; in 1984, mileage reached 6,410 km. The volume of passenger freight showed an average annual increase of 6 to 7 percent from 1950 to 1984. At present, the Harbin Railway Bureau undertakes 10 percent of the country's total coal, grain, and mine transportation tasks, 17 percent of the total petroleum transportation task, and 52 percent of the total timber transportation task. [Summary] [SK051528 Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 1 Aug 84]

TURPAN-KORLA RAILWAY SECTION--The Turpan-Korla section of the southern Xinjiang railway has been formally checked and accepted by the state. A signing ceremony was held in Urumqi this morning to hand over the section to the Urumqi Railway Bureau. The Turpan-Korla section of the southern Xinjiang railway is a large state construction project. It is 476 kilometers long and is one more important trunk line that has been built in Xinjiang since the Lanzhou-Xinjiang railway opened to traffic. Since all the subsections of this section began to go into provincial operation in April 1978, the section has carried 4.8 million metric tons of cargo and over 417,000 people. The completion of this section is of great significance in developing southern Xinjiang, making the region's economy prosperous, strengthening the ties between people of various nationalities, and consolidating the border defense of our motherland. Ismail Amat, chairman of the regional government, and Zhang Sixue, member of the regional CPC Committee Standing Committee, attended the acceptance signing ceremony today. (Wang Deying), chairman of the state's southern Xinjiang railway checks and approval committee and vice chairman of the State Planning Commission; Li Xuan, vice chairman of the checks and approval committee and vice minister of railways; and Tuohudi Shabier, vice chairman of the checks and approval committee and vice chairman of the regional government, gave speeches at the signing ceremony. [Excerpts] [HK080340 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 7 Aug 84]

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HONG KONG MEDIA ON CHINA

HUNAN TO OPEN UP CHANGSHA, YUEYANG INVESTMENT ZONES

HK160205 Hong Kong WEN WEI PO in Chinese 12 Jul 84 p 8

[Report: "Hunan to open up Changsha and Yueyang investment zones so as to absorb foreign capital to invest in building factories and establishing business there. At the same time, the province has also worked out a 71-point plan for importing foreign capital, according to which a total of foreign exchanges equal to 0.8 to 1 billion yuan will be imported.

Zhou Zheng, Hunan provincial vice governor and head of a Hunan economic and trade delegation which is visiting Hong Kong now, said at a press conference yesterday that these investment zones will be in Changsha and Yueyang. They will follow the methods of the Shenzhen Special Economic Zone in importing foreign capital, and in consideration of the lengthy distance between Hunan and Shenzhen, more preferential treatment will possibly be granted.

The Plan for the Investment Zones Has Been Submitted to the Central Authorities for Examination and Approval

He said that the plan for establishing the two investment zones has already been submitted to the State Council for examination and approval. Since the central leaders have orally agreed, it is quite possible that the plan will be approved.

According to Zhou, the Changsha investment zone will be located at the juncture of Changsha, Xiangtan and Zhuzhou, which is more than 10 kilometers distant from Changsha near the Changsha airport. Water and land communications are convenient here and the natural scenery attractive. It is also a broad area for development.

The Yueyang investment zone is located at Chenglingji in Yueyang City, a place near the Chang Jiang and the Beijing-Guangzhou railway, and which is convenient for communications.

\$80 Million Have Been Used Over the Past Few Years

Zhou Zheng said that over the past few years Hunan Province has used a total of \$80 million in foreign capital. It is estimated that a sum of foreign capital equal to 0.8 to 1 billion yuan will be imported this time for the

development of the 71 projects listed on the plan, which cover a wide range of fields including industry, forestry, animal husbandry, energy resources, communications and tourism. Xu Youfa, deputy secretary general of this province, said that sufficient preparations have been made for the development of these projects, and the superiority and natural resources of this province have been brought into full play.

Xu Youfa said that in developing these projects with foreign capital, various forms of cooperation can be adopted, such as joint ventures, cooperative production, licensed trade, processing materials supplied by customers, order per sample, assembly trade, compensation trade, export on a commission basis, hiring and so forth. Pure technological import is also acceptable. The scope of these projects can also be rationally readjusted.

#### The Procedure in Examining and Approving Investment has Been Simplified to Two Levels

In order to promote the import of foreign capital, in addition to making things convenient for customers, this province has also simplified the procedure in examining and approving investment in relevant projects. For some projects, the past five examination and approval procedures have been reduced to two. As to the limits of examination and approval power, the projects with an investment under 10 million yuan can be approved by the provincial authorities, and those under \$1 million can be approved by the prefectural departments and bureaus in charge. The enterprises are authorized to directly import materials from abroad without approval, with their own foreign exchanges, if they are capable of doing so.

#### Capital Construction for Energy Resources and Communications Is Being Strengthened

Moreover, this province is also taking positive measures to expand the scope of capital construction for energy resources and communications so that the environment for investment can become more perfect. For example, in the field of energy resources, except for the planned new hydropower projects, the Dong Jiang hydropower station, which is now under construction, will be put into production in 1986 with an installed capacity of 600,000 kilowatts. The Laiyang thermal power plant will be put into production in 1987, with an installed capacity of 400,000 kilowatts. In communications, it has also been planned to expand the Changsha airport so that Trident airlines can take off and land there. At the same time, preparations are being made to build some small helicopter landing fields so that the local tourist resources can be tapped. At present plans have been worked out for the development of the "north water," according to which a new Hunan shipping company will be established to take charge of passenger and freight transport from Hengyang to Xinan via Xiangjiang, Dongting and Cili. It is also prepared to build a new 200-kilometer railway from the Chang Jiang to Shimen in central Hunan, so as to solve the long-standing problem of transport in this area. At present prospecting and design are being carried out according to this plan.

Contact the Liaison Department of the Chinese Resources Company

Zhou Zheng said that business talks have been held with the customers on the 71 projects and the final decision for some of them will soon be made. If the talks cannot be finished before the delegation leaves Hong Kong on 18 July, the customers can contact and hold talks with this province's office in Shenzhen's Luohu district or go to Changsha directly. The interested parties can also contact Li Wenjue, a Hunan representative in the provincial, municipal and regional Liaison Department of the Chinese Resources Company in Hong Kong.

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